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STATISTICAL BULLETIN

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The Conference Board

COMMENT

The latest batch of economic reports shows that the overall volume of activity is neither expanding nor contracting very much. Rather, it is bumping along at a depressed level. The expected surge in consumer buying has yet to materialize; consumer confidence improved in the Spring but then weakened again, and the July tax cut apparently did more to boost savings than spending. Rates on car loans and mortgages did not come down as much as other short-term rates, like the prime, and credit-card rates were largely unaffected—although some consumer rates did finally begin to fall a little in early October. Nevertheless, the latest *Economic Forecasts* generally point to some rise in activity in the fourth quarter, apparently on the assumption that gathering cyclical momentum must generate some rebound. A number of forecasts, however, now anticipate the recovery to begin in the first quarter of next year. This minority view seems to be that the rebound is being delayed because that cyclical momentum is not strong enough to push past the barrier of restrictive money growth and still-high interest rates. Indeed, there is concern that that barrier will prevail and activity will remain essentially stagnant. Many analysts view an improvement in the financial-conditions barrier as a necessary step in order for any rebound, even one as modest as that envisaged in the forecasts, to develop. In short, the general view remains one of modest recovery but with a preponderance of risks on the downside.

Consumer demand was certainly less robust this past Summer than had been anticipated. One reason given for the lack of progress is that, with inflation on the way down, consumers were delaying purchases in order to take advantage of steeper discounts and rebates. Perhaps of more relevance is the fact that the high degree of slack in the system, with high and rising unemployment, made consumers more cautious and skeptical—especially with regard to making long-term commitments on installment payments. The latter explanation implies that consumers need some clear signs of economic improvement to relieve the need for caution while, at the same time, not much of a rise in production can occur without stronger final demand.

Personal income, adjusted for inflation, was no higher in July than it had been in May, and it fell a bit in August. Meanwhile, the personal saving rate jumped from 6.9% in the second quarter to about 7.1% in the third quarter, and consumers were rather cautious about buying on credit. The ratio of Consumer Installment Debt Expansion to Personal Income had been rising modestly during the Spring months but then leveled off in June and July, and fell sharply in August. At the same time, the consumer attitude surveys reflect a marked dampening of spirits. The Conference Board's *Consumer Confidence Index* had fallen to a near-record low of 53.3 (1969-1970 = 100) in March, but then improved through the Spring and early Summer to a level of 61.6 in July. However, it fell back down to 53.7 in August and 53.5 in September. Consumers' appraisal of current business conditions is at rock bottom: The majority of survey respondents say that business conditions are bad and jobs are hard to find. The appraisal of conditions six months ahead had been steadily improving, accounting for most of the gain in the overall measure earlier this year. However, that appraisal fell in August and did not improve very much in September.

Retail sales, adjusted for inflation, had risen in each month from February through May of this year, but then weakened considerably; sales were around 4% lower in September than they had been in May. The drop in sales was less pronounced in nondurable goods than in durable goods—the latter being a category frequently financed by installment credit. New domestic *Automobile Sales* were at an average annual rate of only 5½ million in June and just over 5 million in July and August. The selling rate improved a little in September—to just about 6½ million. To put that depressed selling rate in context, the pre-recession rate was running closer to a 9 to 10 million rate. The modest recovery scenario in the *Economic Forecasts* implies that domestic sales might rebound to only about 8 to 8½ million in 1983. Foregin models were selling at a rate of a little over 2 million per month through August, but increased to about 2½ million in September.

Inventory/sales ratios were declining throughout the first half of this year but appear to have leveled off in the last three months. In fact, the ratio for durable goods industries inched up in August. Given the cash-flow problems of business, together with high carrying charges and weakened demand, there is little chance of any major restocking of inventory right away. Consequently, production schedules were still being trimmed in September, resulting in still lower production and still higher layoffs. Nevertheless, the attitudes of business executives improved a bit further in the third quarter. According to The Conference Board's survey, the *Measure of Business Confidence* rose to 55 (on a scale of 0-100) from 52 in the second quarter and a recent low of 43 in the fourth quarter of 1981. However, the latest

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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25 McArthur Road
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845 Third Avenue
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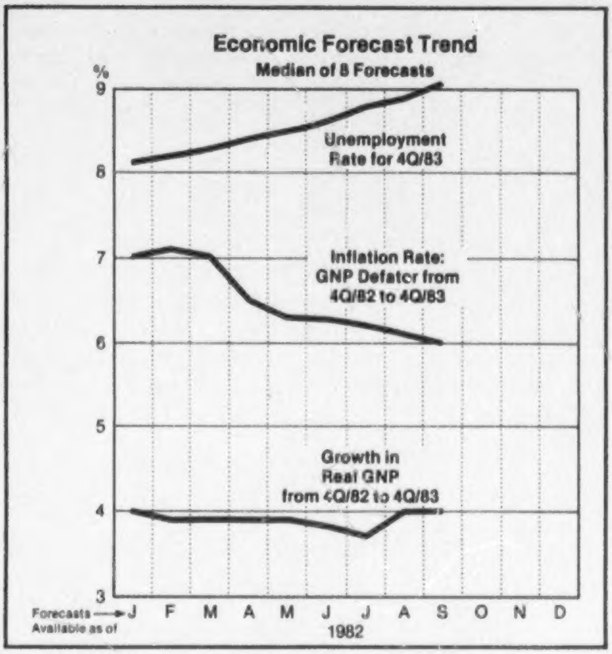
The Conference Board, Inc.
Avenue Louise, 207 Bte 5
B-1050 Brussels, Belgium


Economic Forecast Trend
Median of 8 Forecasts

improvement simply reflected a sentiment that conditions were not deteriorating as severely in the third quarter as they had been earlier this year; there was no strengthening in the executives' assessment of the outlook in this latest survey.

Even though the composite index of *Leading Economic Indicators* fell in August, it was still about 1% higher that month than three months earlier. The suggestion remains that there may be some gain in activity in the fourth quarter. Likewise, the *Economic Forecasts* point to some modest recovery getting under way in the fourth quarter, but in more subdued tones than was the case in the last few months. The median of the current forecasts for real output growth is a seasonally adjusted 2.5% annual rate in the fourth quarter of 1982. Three months ago, the median growth forecast for the fourth quarter was 4.2%, and, even last month, it was at 3.8 percent. Conversely, the forecasts are now showing a little more growth (but still in a 4 to 4½% range) for 1983 than they had indicated earlier. In general, the forecasts have consistently pointed to a modest recovery (real growth in about a 3½% to 4½% range per quarter from the start of the recovery through the forecast horizon) but they have changed the timing—specifically, delaying the start of recovery from some time in the third quarter of 1982 to the fourth quarter, and in some instances to the first quarter of 1983. The accompanying chart on *Economic Forecast Trends* shows that the median of the forecasts for real growth from fourth quarter, 1982, to fourth quarter, 1983, has changed very little over the last nine months. On the other hand, the inflation forecast has consistently been lowered and the unemployment forecast raised. In other words, the median view has been and continues to be one of subdued growth in economic activity, with a growing conviction that the inflation-fighting restrictive monetary policy is succeeding but at the expense of heightened unemployment.

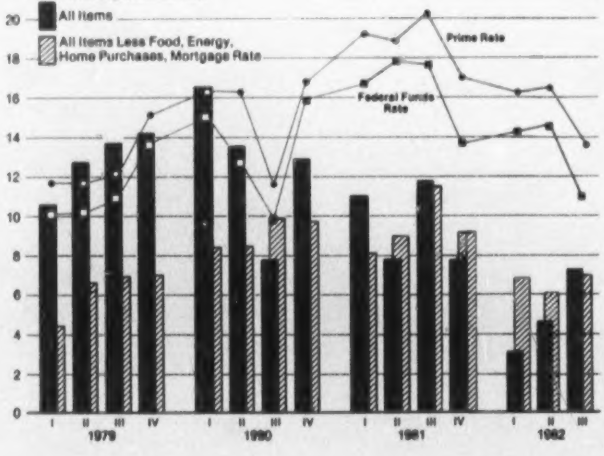
The more pessimistic forecasts remain skeptical that the economy can expand very much in an environment of slow money growth and high interest rates. The most pessimistic view is that real GNP will increase at a rate of less than 2% through the first half of 1983 and at only about 3½% in the last half of next year. It further indicates that real output growth might slip back to only about 2% in 1984.

The median of the *Economic Forecasts* is that the inflation rate, as measured by the implicit price deflator, will remain fairly close to 6% through the third quarter of 1984 (last quarter in the forecast horizon). Some of the forecasts indicate that it might fall to only about 5% while others suggest it may move back up a little—but only to about an 8½% rate by the end of the forecast horizon.

The national unemployment rate reached 10.1% in September, and indications are that that will not be the last report of rising unemployment. The Conference Board's *Help-wanted Index* fell again in August to 78 (1967 = 100) and early returns for September indicate that it dropped another 3 to 5 points in that month. These data suggest that October's unemployment rate will be higher than the record rate reported for September. The median of the *Economic Forecasts* is that the unemployment rate will be around 9% in the fourth quarter of next year and 8½% by the third quarter of 1984. The more pessimistic view is that the rate will be about one-half of a percent higher than that throughout the forecast horizon.

Ken Goldstein

The Inflation Spiral

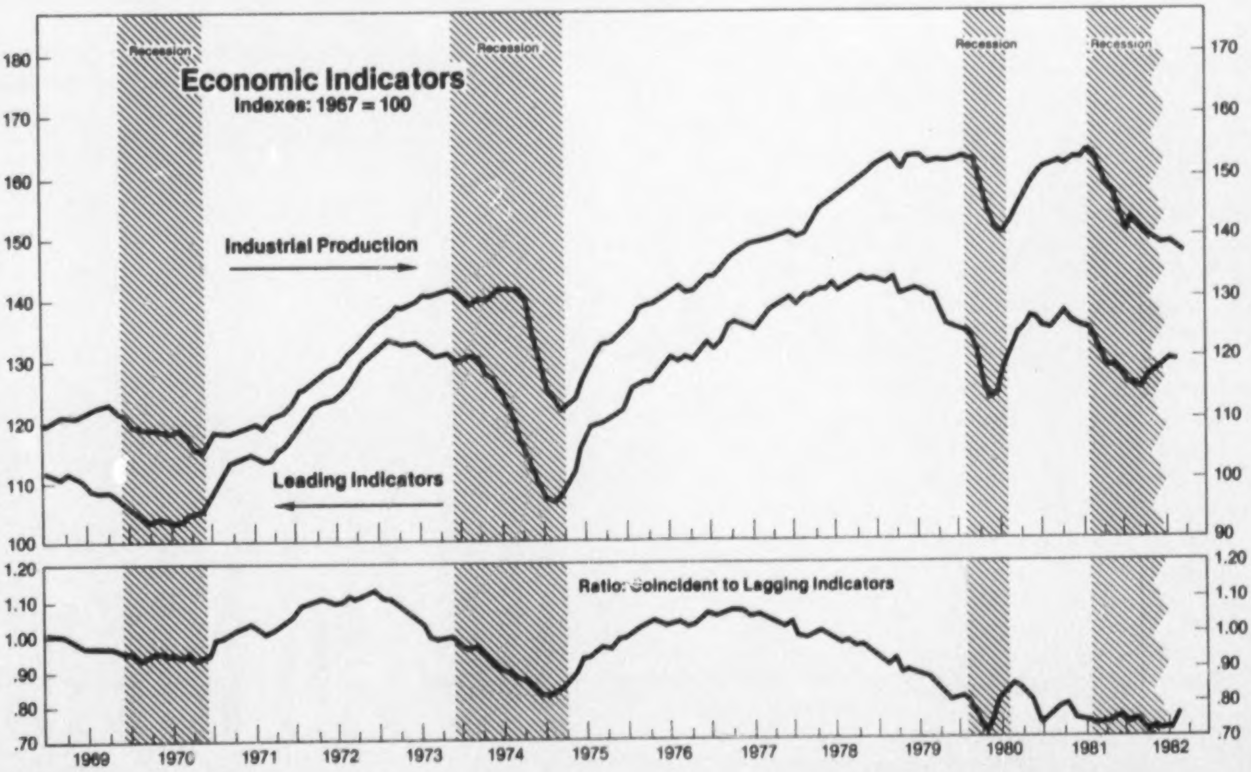


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change from year-ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Aug.	X			+ 0.7%	— 4.1%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Aug.			X	— 4.7%	—23.2%
New orders, nondefense capital goods (deflated)	Aug.			X	— 9.2%	—27.3%
*Net business formation	Dec.			X	— 5.7%	—12.6%
*Housing permits	Aug.			X	— 6.0%	+ 1.1%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Aug.			X	— 6.2%	—13.4%
*Change in inventory, on hand & order (deflated)	July	X			+31.3%	+ 0.5%
Purchasing agents' buying policy	Sept.		X		+ 4 %	—12 %
*Vendor performance, reported slower deliveries	Sept.	X			+10 %	— 8 %
Industrial raw materials prices	Sept.	X			+ 3.2%	—15.4%
*Change in sensitive prices	Aug.		X		+ 1.8%	+ 0.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Aug.	X			+ 0.6%	+ 3.7%
Change in business loans	Sept.			X	—14.8%	+ 3.2%
*Change in liquid assets	Aug.	X			+ 0.1%	0
Change in consumer installment debt	July			X	— 7.3%	—11.8%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q		X		— 0.5%	—24.5%
*Common stock prices	Sept.	X			+11.8%	+ 3.7%
Marginal Employment Adjustments						
*Average workweek, mfg.	Sept.			X	— 0.6hr.	— 0.8hr.
*Initial unemployment claims (inverted)	Aug.			X	— 2.0%	—41.8%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



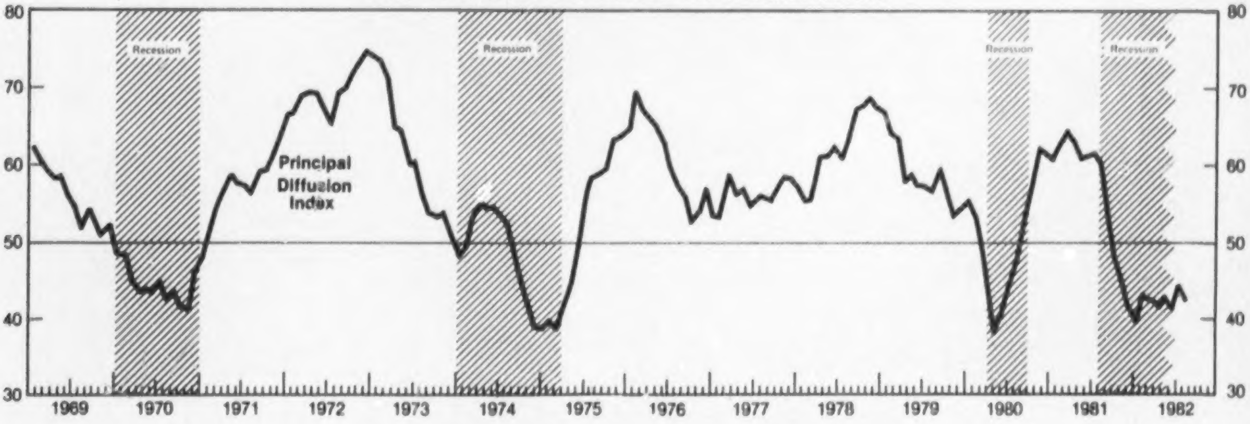
CONFERENCE BOARD DIFFUSION INDEXES

	1981	1982			
DIFFUSION INDEXES	Aug.	May	June	July	Aug.(e)
Principal Diffusion Index	54.4	42.9r	41.7r	44.1r	42.2
Auxiliary Diffusion Index	45.7	52.2r	45.9r	57.8r	44.1
Industrial Group	54.3	28.9	29.3	33.7r	34.6
Nonindustrial Group	54.5	56.9r	54.0r	54.4r	49.9
Sense of Diffusion	1.0	0	0	0	—1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	59.8	33.3	27.4	37.2r	41.9
Labor	46.5	20.1	24.0	26.4	24.6
Miscellaneous	65.4	44.2	45.5	46.8	48.7
Nonindustrial Subgroups					
Prices	41.7	48.1	41.7	42.9	36.5
Consumer	79.9	74.4	68.4	68.4	63.2
Building	34.6	37.8	40.4	42.3r	39.7
Miscellaneous	50.9	58.1r	57.1r	56.2r	52.1

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1980				*1981*				*1982*		
	Feb.	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*
	Score (scale 0-100)										
Measure of Business Confidence	40	29	49	63	58	61	57	43	47	52	55
1. Appraisal of Current Economic Conditions Compared With Six Months Ago.............	36	16	28	59	50	57	48	26	23	30	38
2. Expectations for Economy, Six Months Ahead.......................	38	31	60	67	63	64	63	51	59	64	65
3. Expectations for Own Industry, Six Months Ahead.......................	45	40	60	63	61	61	60	52	56	61	61

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1980	1981				1982		Percent Change From Previous Year	
								1981	1982
	IV	Ir	IIr	IIIr	IVr	Ir	IIp	Actual	Expected**
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	26.151	27.696	28.060	26.938	22.992	25.767	20.039	2	—11
Capital expenditures	22.801	24.057	24.580	26.217	26.174	26.924	26.315	15	1
Change in appropriations backlog*	+ 2.606	+ 2.714	+ 2.736	+ 1.164	—4.602	—1.629	—8.149		
Durable Goods									
New appropriations	10.724	9.705	11.488	11.549	9.532	8.446	7.600	—5	—13
Capital expenditures	10.477	10.323	10.405	11.079	10.965	11.161	11.006	4	—3
Change in appropriations backlog*	+ 0.305	—0.702	+ 0.757	+ 0.964	—1.953	—2.994	—4.176		
Nondurable Goods									
New appropriations	15.427	17.991	16.572	15.389	13.460	17.321	12.439	7	—11
Capital expenditures	12.324	13.734	14.175	15.138	15.209	15.763	15.309	24	5
Change in appropriations backlog*	+ 2.301	+ 3.416	+ 1.979	+ 0.200	—2.649	+ 1.365	—3.973		
ELECTRIC & GAS UTILITIES									
New appropriations	11.129	10.300	12.679	10.163	8.401	8.665			
Capital expenditures	8.291	7.698	8.002	8.576	8.947	8.678			
Change in appropriations backlog*	—1.288	+ 1.868	+ 4.281	—6.870	—6.195	—5.369			

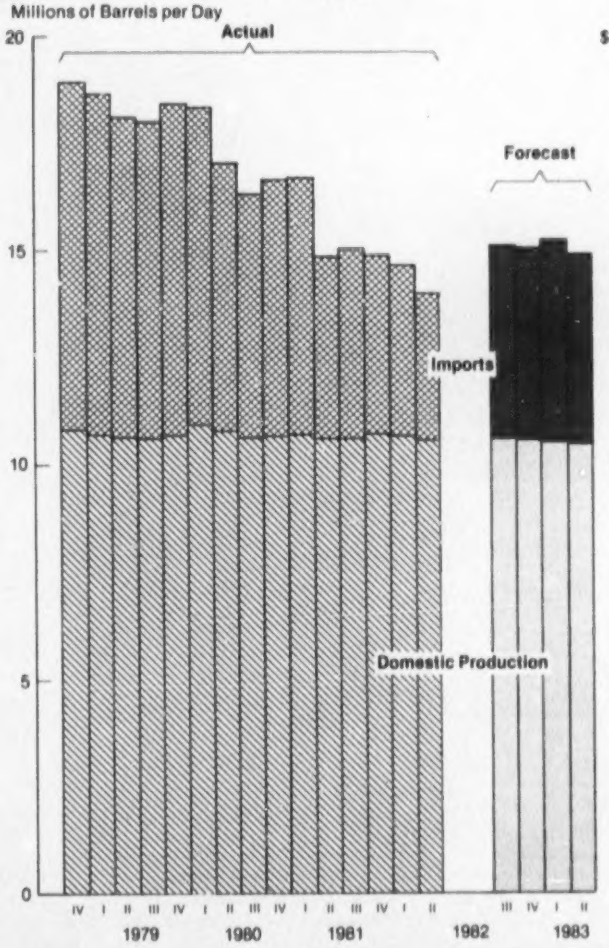
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

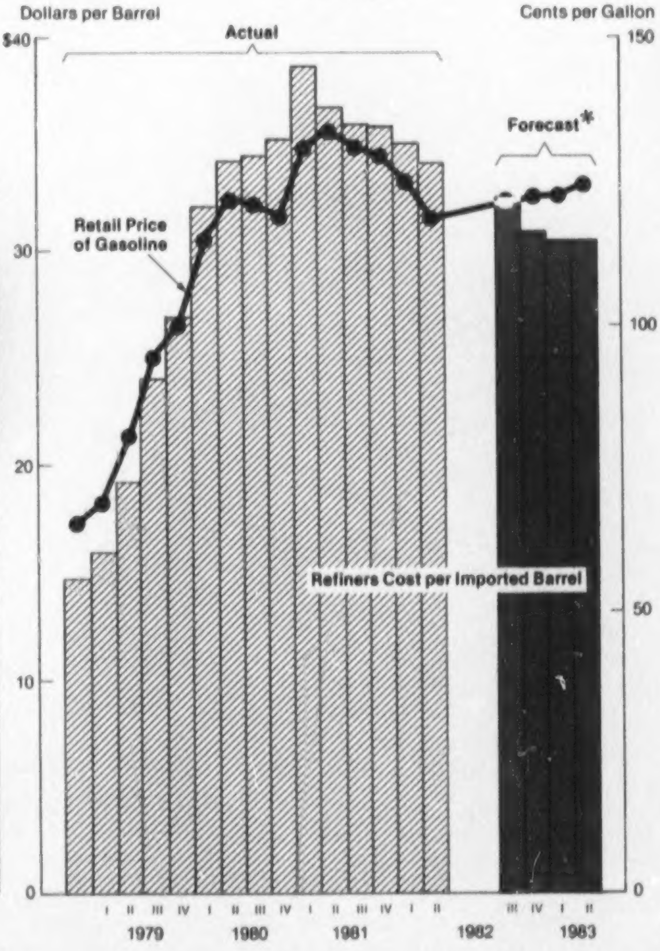
* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply

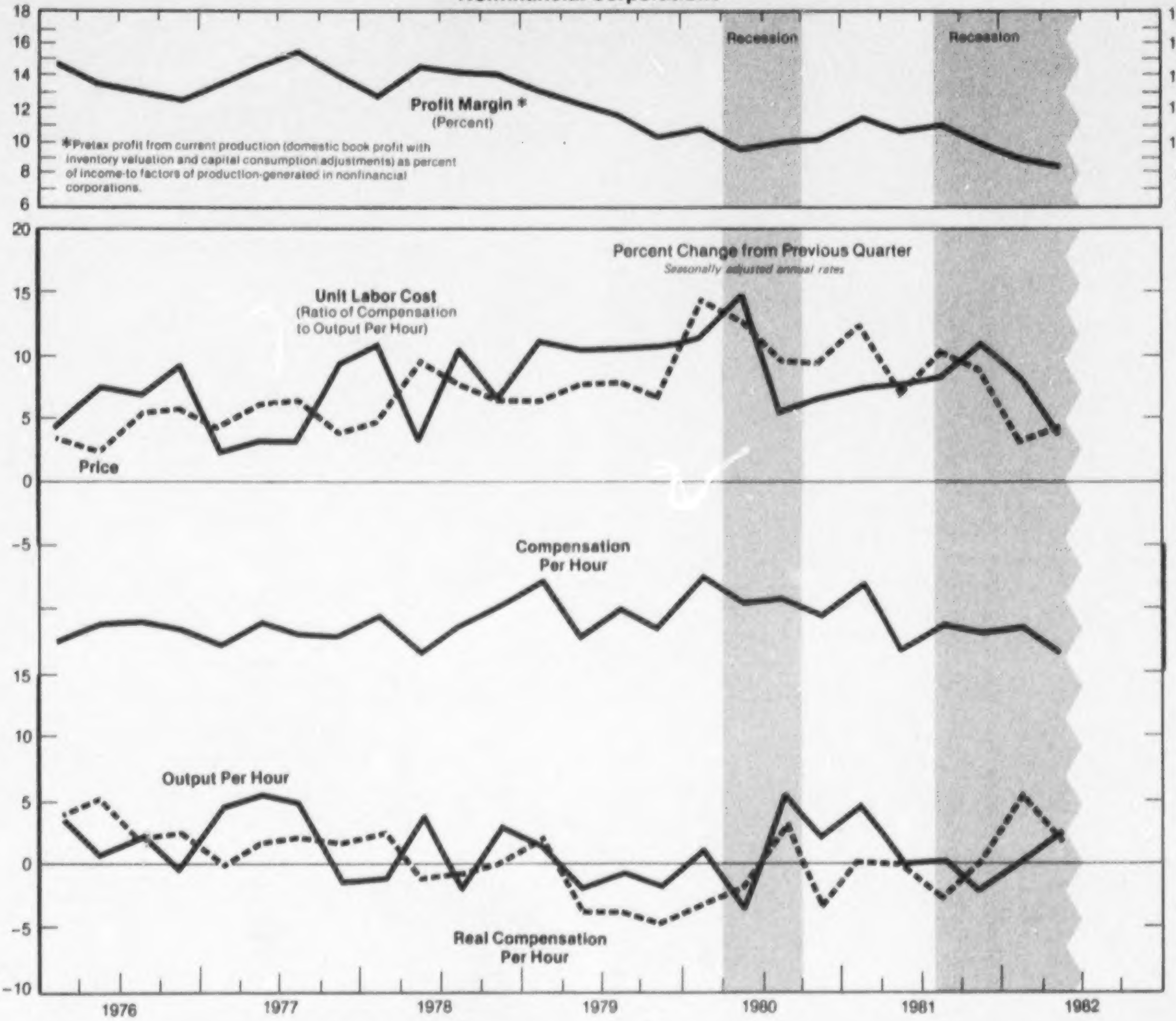


Oil Price

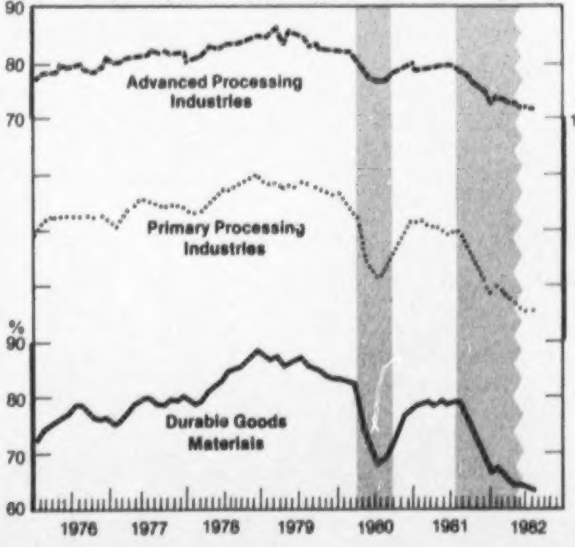


*Source of forecast is The Energy Information Administration, Department of Energy.

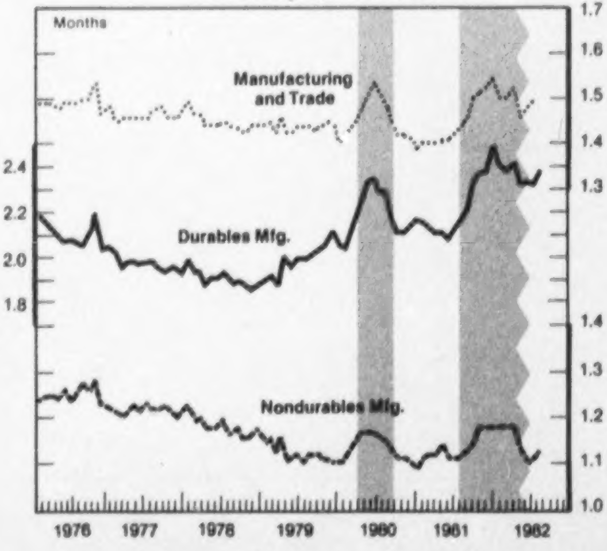
Key Determinants of Profit Margin,
Nonfinancial Corporations



Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[1]		Merrill Lynch Economics Inc.[1]		Kent Economic Institute[2]		Georgia State University[2]	
Date of Forecast			*Aug., 1982*		*Aug., 1982*		*Sept., 1982*		*Sept., 1982*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1982**	**II**					**$3045.2**	**6.8%**	**$3045.2**	**6.8%**
Forecast		III	$3073.9	4.4%	$3104.6	8.6%	3089.9	6.0	3095.7	6.8
		IV	3115.4	5.5	3177.6	9.7	3164.4	10.0	3163.8	9.1
	1983	I	3176.5	8.1	3237.0	7.7	3245.6	10.7	3256.2	12.2
		II	3262.4	11.3	3299.4	7.9	3328.5	10.6	3334.7	10.0
		III	3356.2	12.0	3394.3	12.0	3405.9	9.6	3412.8	9.7
		IV	3461.3	13.1	3493.9	12.3	3494.5	10.8	3501.4	10.8
	1984	I	3558.9	11.8	3586.6	11.0	3594.7	12.0	3576.9	8.9
		II	3641.8	9.6	3674.9	10.2	3712.4	13.8	3641.3	7.4
		III	3710.1	7.7			3827.4	13.0	3723.2	9.3
	1982	Annual	3056.5	4.0	3079.7	4.8	3073.7	4.6	3075.0	4.7
	1983	Annual	3314.1	8.4	3356.1	9.0	3368.6	9.6	3376.3	9.8
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1982**	**II**					**$1478.4**	**2.1%**	**$1478.4**	**2.1%**
Forecast		III	$1471.1	−1.1%	$1483.0	2.1%	1481.9	1.0	1471.0	−2.0
		IV	1472.6	0.4	1498.5	4.2	1488.5	1.8	1480.8	2.7
	1983	I	1482.9	2.8	1505.3	1.8	1504.0	4.2	1501.9	5.8
		II	1506.1	6.4	1512.4	1.9	1517.1	3.5	1514.5	3.4
		III	1531.1	6.8	1532.6	5.5	1530.7	3.6	1530.1	4.2
		IV	1557.2	7.0	1554.7	5.9	1548.3	4.7	1543.3	3.5
	1984	I	1560.7	6.2	1574.6	5.2	1560.2	3.1	1552.1	2.3
		II	1595.9	3.9	1589.9	3.9	1578.4	4.7	1556.0	1.0
		III	1605.3	2.4			1594.1	4.0	1564.9	2.3
	1982	Annual	1472.4	−2.0	1481.9	−1.4	1479.9	−1.5	1475.2	−1.8
	1983	Annual	1519.3	3.2	1526.2	3.0	1525.0	3.1	1522.4	3.2
Gross National Product Deflator Index, 1972 = 100										
Actual	**1982**	**II**					**206.0**	**4.6%**	**206.0**	**4.6%**
Forecast		III	209.0	5.6%	209.3	6.4%	208.5	5.0	210.4	9.0
		IV	211.6	5.1	212.1	5.3	212.6	8.1	213.7	6.2
	1983	I	214.2	5.1	215.0	5.8	215.8	6.2	216.8	6.0
		II	216.6	4.6	218.2	5.9	219.4	6.8	220.2	6.4
		III	219.2	4.9	221.5	6.2	222.5	5.8	223.0	5.3
		IV	222.3	5.7	224.7	6.0	225.7	5.9	226.9	7.1
	1984	I	225.1	5.3	227.8	5.5	230.4	8.6	230.5	6.5
		II	228.2	5.5	231.1	6.0	235.2	8.6	234.0	6.3
		III	231.1	5.2			240.1	8.6	237.9	6.8
	1982	Annual	207.6	6.2	207.8	6.3	207.7	6.2	208.4	6.6
	1983	Annual	218.1	5.1	219.9	5.8	220.9	6.3	221.8	6.4
Unemployment Rate										
Actual	**1982**	**II**	**9.5%**		**9.5%**		**9.5%**		**9.5%**	
Forecast		III	9.8		9.8		9.9		9.9	
		IV	9.8		9.6		9.8		10.1	
	1983	I	9.9		9.5		9.3		10.0	
		II	9.6		9.5		8.8		9.8	
		III	9.3		9.3		8.2		9.6	
		IV	8.9		9.1		7.9		9.4	
	1984	I	8.5		8.8		7.8		9.1	
		II	8.2		8.6		7.5		9.1	
		III	7.9				7.3		9.0	
	1982	Annual	9.5		9.4		9.5		9.6	
	1983	Annual	9.4		9.3		8.6		9.7	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (first revision) second quarter data.

[2] Based on revised (second revision) second quarter data.

ECONOMIC FORECASTS (continued)

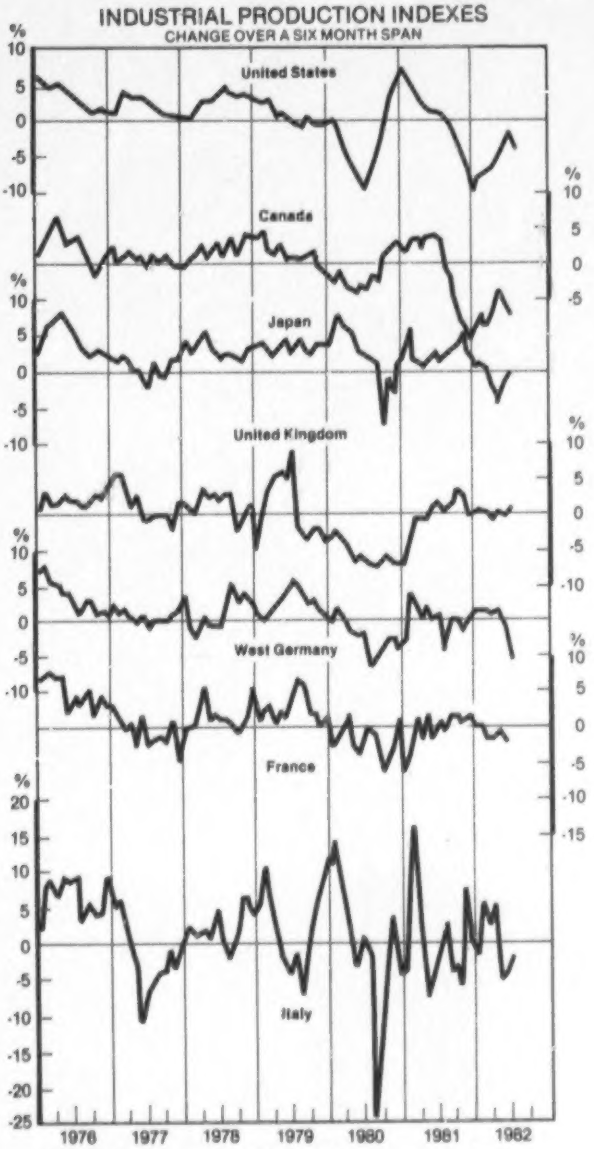
The Conference Board[1] Sept., 1982 Level	The Conference Board[1] Sept., 1982 Percent Change	Chase Econometric Associates, Inc.[1] Sept., 1982 Level	Chase Econometric Associates, Inc.[1] Sept., 1982 Percent Change	Data Resources Inc.[1] Sept., 1982 Level	Data Resources Inc.[1] Sept., 1982 Percent Change	Wharton E.F.A. Inc.[1] Sept., 1982 Level	Wharton E.F.A. Inc.[1] Sept., 1982 Percent Change			
								Gross National Product Billions of Current Dollars		
$3045.2	6.8%	$3045.2	6.8%	$3045.2	6.8%	$3045.2	6.8%	II	1982	Actual
3090.0	6.0	3099.7	7.4	3097.4	7.0	3099.9	7.4	III		Forecast
3161.0	9.5	3178.6	10.6	3168.3	9.5	3166.6	8.9	IV		
3246.0	11.2	3255.2	10.0	3234.2	8.6	3242.4	9.9	I	1983	
3341.0	12.2	3327.7	9.2	3307.7	9.4	3318.3	9.7	II		
3423.0	10.2	3408.3	10.0	3384.6	9.6	3404.0	10.7	III		
3501.0	9.4	3487.8	9.7	3475.3	11.2	3498.9	11.6	IV		
		3586.0	11.7	3554.5	9.4	3589.0	10.7	I	1984	
		3676.3	10.5	3646.8	10.8	3684.5	11.1	II		
		3759.0	9.3	3744.3	11.1	3781.3	10.9	III		
3072.9	4.6	3079.7	4.8	3076.6	4.7	3076.8	4.7	Annual	1982	
3377.7	9.9	3369.7	9.4	3350.4	8.9	3365.9	9.4	Annual	1983	
								Gross National Product Billions of Constant (1972) Dollars		
$1478.4	2.1%	$1478.4	2.1%	$1478.4	2.1%	$1478.4	2.1%	II	1982	Actual
1481.9	1.0	1483.1	1.3	1481.3	0.8	1483.2	1.3	III		Forecast
1493.8	3.3	1500.5	4.8	1492.1	2.9	1492.1	2.4	IV		
1510.6	4.6	1513.3	3.5	1503.2	3.0	1507.3	4.1	I	1983	
1529.9	5.2	1524.6	3.0	1515.5	3.3	1522.2	4.0	II		
1543.1	3.5	1539.3	3.9	1530.1	3.9	1540.6	4.9	III		
1556.3	3.5	1552.8	3.6	1547.4	4.6	1558.7	4.8	IV		
		1571.2	4.8	1560.1	3.3	1576.5	4.6	I	1984	
		1583.5	3.2	1577.7	4.6	1594.0	4.5	II		
		1596.8	3.4	1595.9	4.7	1612.9	4.8	III		
1481.2	−1.4	1483.2	−1.3	1480.6	−1.5	1481.1	−1.4	Annual	1982	
1535.0	3.6	1532.5	3.3	1524.0	2.9	1532.2	3.5	Annual	1983	
								Gross National Product Deflator Index, 1972 = 100		
206.0	4.6%	206.0	4.6%	206.0	4.6%	206.0	4.6%	II	1982	Actual
208.5	5.0	209.0	6.0	209.1	6.2	209.0	6.0	III		Forecast
211.6	6.1	211.8	5.5	212.3	6.3	212.2	6.3	IV		
214.9	6.3	215.1	6.3	215.2	5.4	215.1	5.6	I	1983	
218.4	6.7	218.3	6.0	218.3	5.9	218.0	5.5	II		
221.8	6.5	221.4	5.9	221.2	5.5	221.0	5.5	III		
225.0	5.8	224.6	5.3	224.6	6.3	224.5	6.5	IV		
		228.2	6.6	227.8	5.9	227.7	5.8	I	1984	
		232.2	7.1	231.1	5.9	231.1	6.3	II		
		235.4	5.7	234.6	6.1	234.4	5.8	III		
207.5	6.1	207.6	6.2	207.8	6.3	207.7	6.3	Annual	1982	
220.1	6.1	219.9	5.9	219.8	5.8	219.7	5.7	Annual	1983	
								Unemployment Rate		
9.5%		9.5%		9.5%		9.5%		II	1982	Actual
10.1		9.8		9.9		9.9		III		Forecast
10.0		9.9		9.7		10.0		IV		
9.8		9.8		9.6		9.7		I	1983	
9.4		9.7		9.4		9.5		II		
9.2		9.5		9.1		9.2		III		
9.0		9.4		8.9		9.2		IV		
		9.1		8.8		9.1		I	1984	
		8.9		8.6		8.9		II		
		8.8		8.4		8.6		III		
9.6		9.5		9.5		9.5		Annual	1982	
9.3		9.6		9.2		9.4		Annual	1983	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

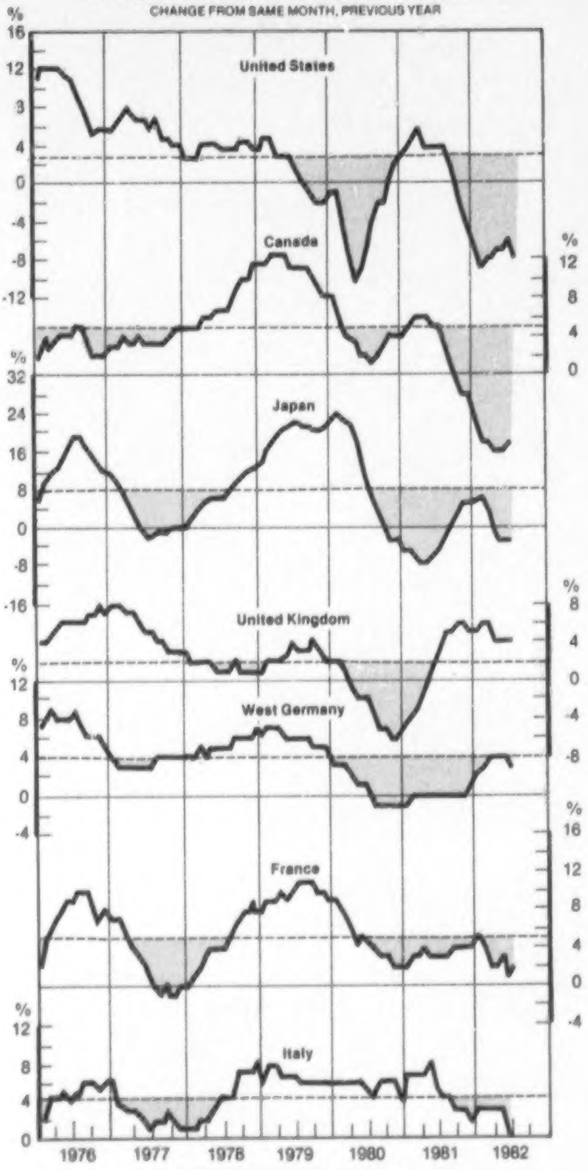
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



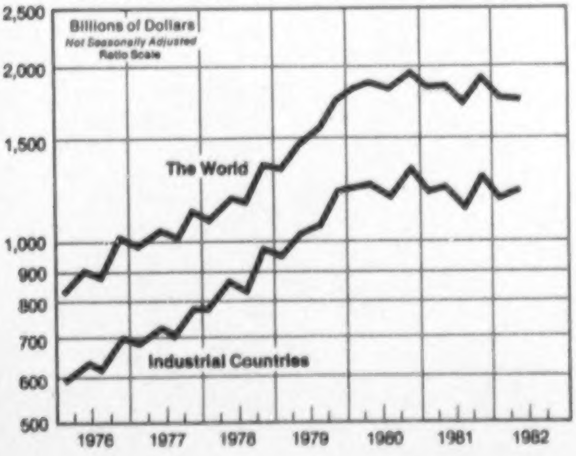
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM SAME MONTH, PREVIOUS YEAR

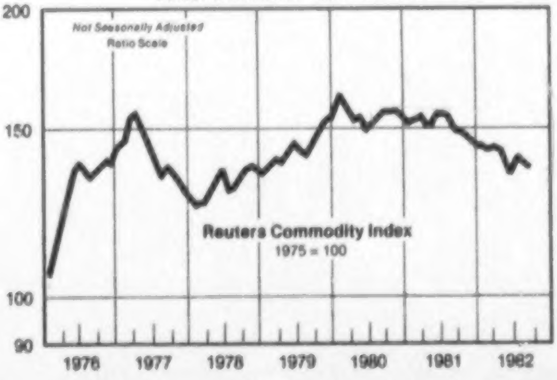


Source: Center for International Business Cycle Research, Rutgers University

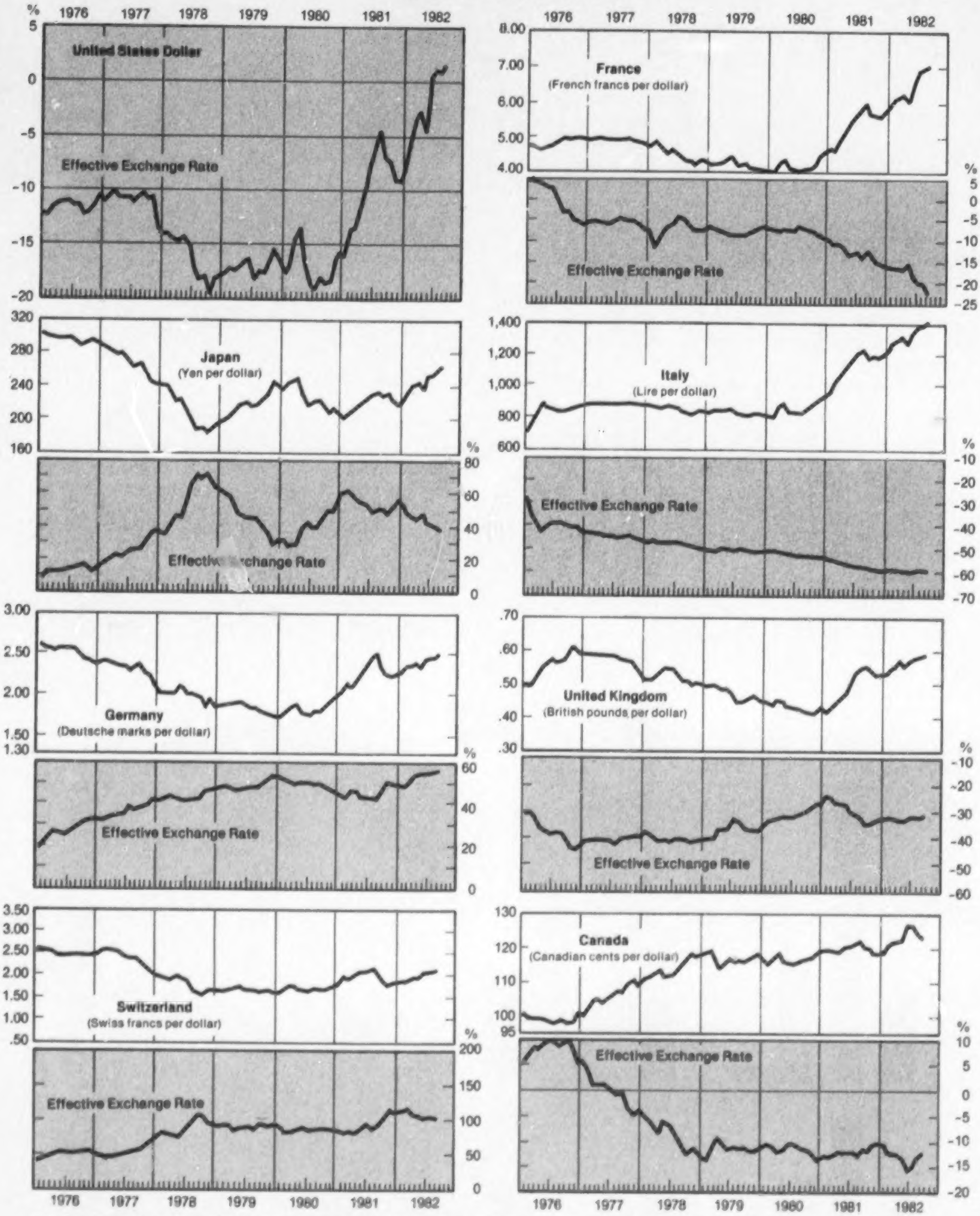
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-à-vis a group of 15 major currencies, weighted according to the average bilateral manufactures trade of 1976. Changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

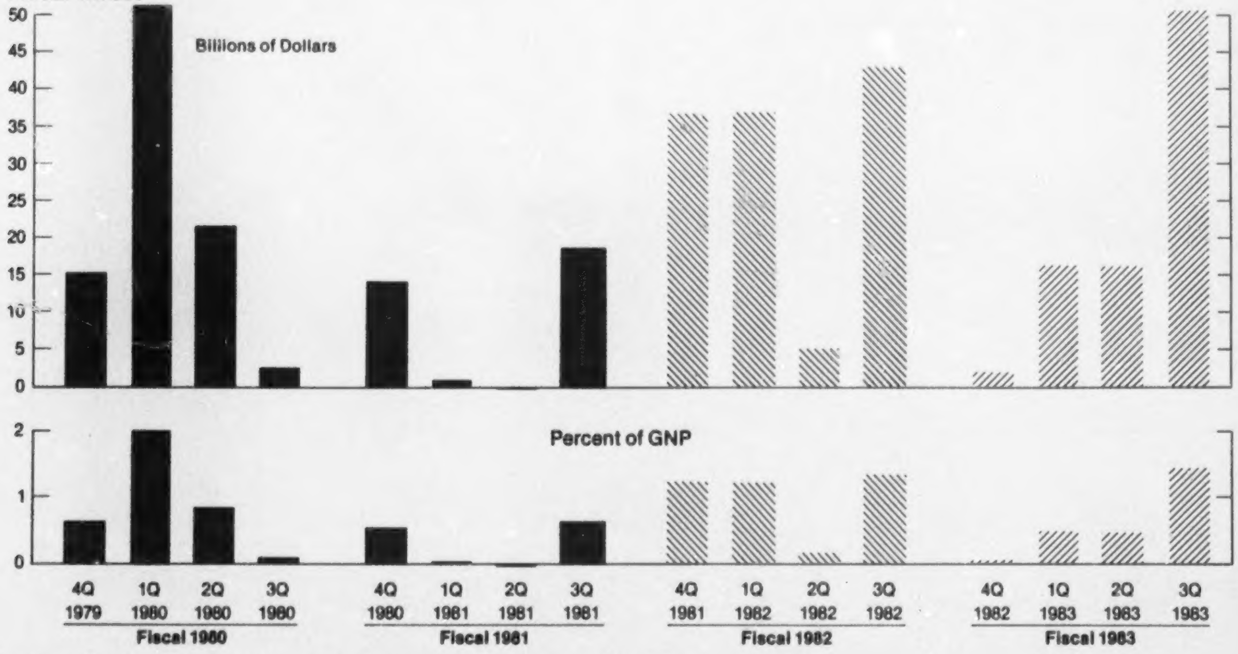
Source: Morgan Guaranty Trust

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1982		Fiscal 1983		
	President's Proposal (2/8/82)	*First Budget Resolution (6/18/82)*	*Current Services (2/8/82)*	*President's Proposal (2/8/82)*	*First Budget Resolution (6/18/82)*
Receipts	**$626.8**	**$628.4**	**$653.3**	**$666.1**	**$665.9**
Outlays	**725.3**	**734.1**	**779.3**	**757.6**	**769.8**
Deficit	**—98.6**	**—105.7**	**—126.0**	**—91.5**	**—103.9**
Receipts by source	**626.8**	**628.4**	**653.3**	**666.1**	**665.9**
Individual income taxes	298.6		301.0	304.5	
Corporate income taxes	46.8		56.2	65.3	
Social insurance	206.5		223.6	222.5	
Other receipts	74.9		72.5	73.8	
Outlays by function	**725.3**	**734.1**	**779.1**	**757.6**	**769.8**
Income security	250.9	250.3	271.5	261.7	270.9
National defense	187.5	187.6	202.3	221.1	214.0
Health	73.4	73.7	82.5	78.1	77.8
Veterans' benefits	24.2	23.8	24.9	24.4	23.8
Education and manpower	27.8	28.1	26.7	21.6	26.2
Transportation	21.2	21.3	20.9	19.6	19.9
International affairs	11.1	11.4	11.7	12.0	11.5
Natural resources and environment	12.6	12.8	10.7	9.9	11.0
Agriculture	8.6	13.8	4.5	4.5	9.0
General science	6.9	7.0	7.6	7.6	7.6
Community development	8.4	8.5	7.3	7.3	7.7
Revenue sharing	6.4	6.3	6.6	6.7	6.5
General government	5.1	5.0	4.8	5.0	4.7
Justice	4.5	4.6	4.8	4.6	4.7
Energy	6.4	6.4	5.5	4.2	4.5
Commerce and housing credit	3.3	3.8	3.6	1.6	2.8
Interest	99.1	100.7	115.1	112.5	113.2
Allowances	—0.6	0.8	1.5	—1.3	—2.8
Undistributed offsetting receipts	—31.5	—31.7	—33.4	—43.5	—43.1

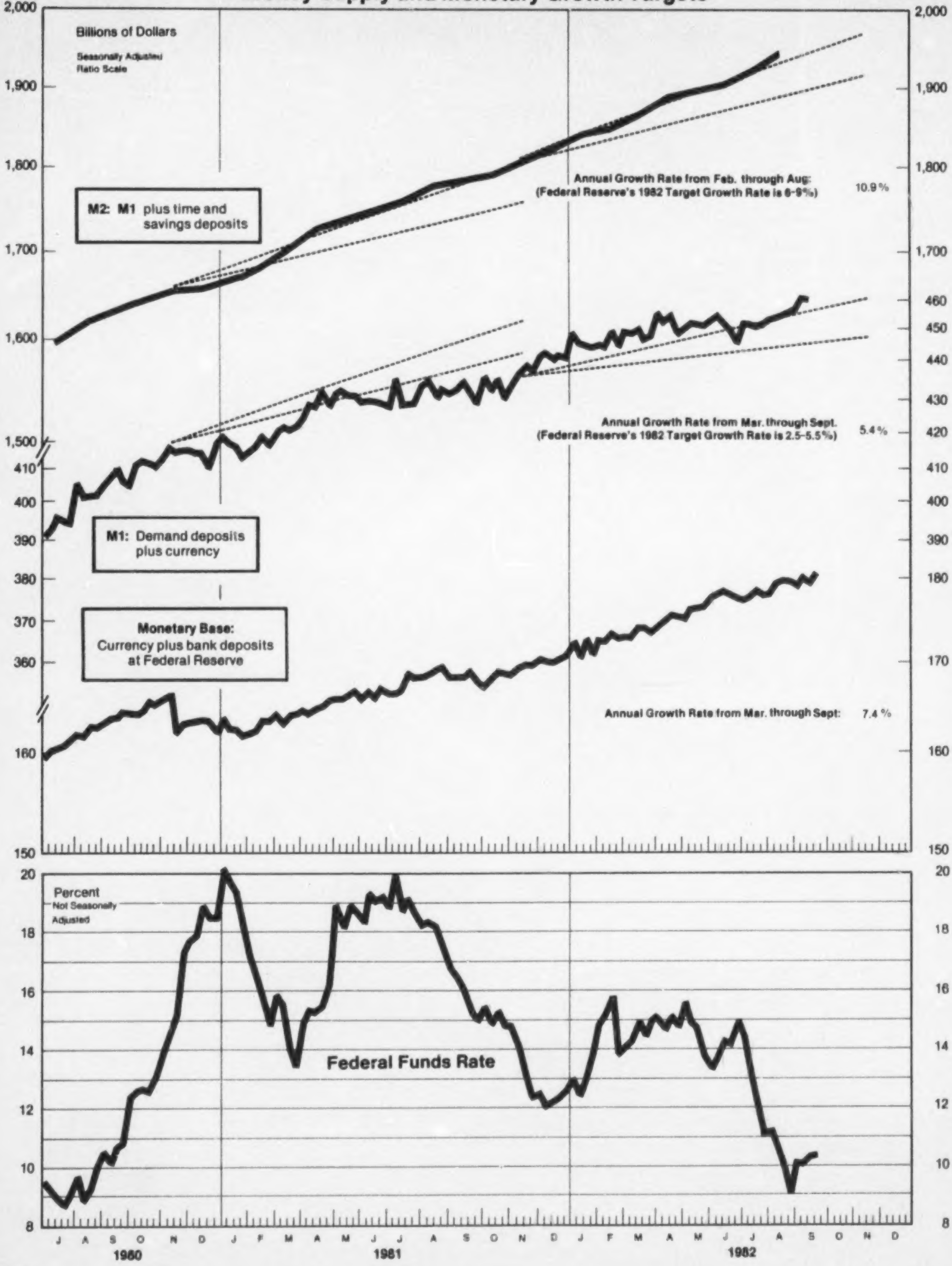
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York: 1980

Money Supply and Monetary Growth Targets



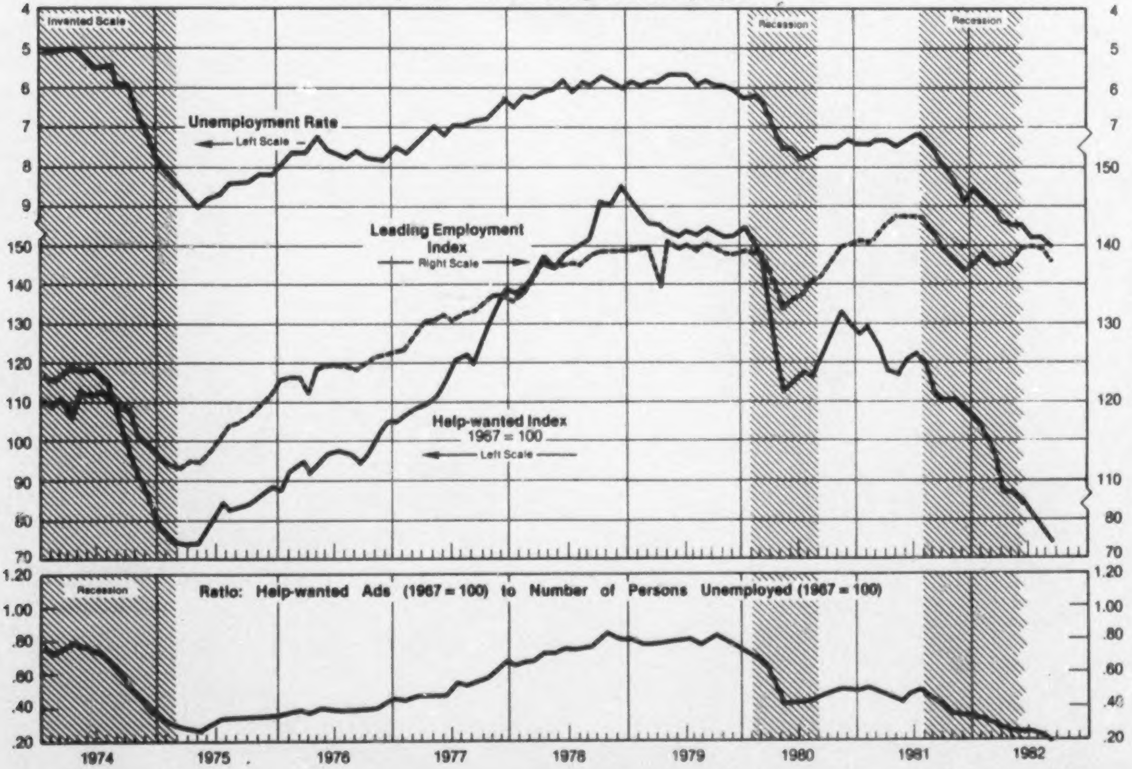
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1982			1981
	Aug.	July	June	Aug.
Total Index 51 papers	78	83	85	119
New England	81	86	85	106
Boston	90	96	95	114
Hartford	86	85	83	121
Providence	47	54	52	66
Middle Atlantic	45	46	48	60
Albany	72	73	78	85
Allentown	75	113	89	93
New York	41	41	44	55
Philadelphia	40	42	39	58
Pittsburgh	44	48	47	69
Rochester	50	55	53	51
Syracuse	66	70	87	72
East North Central	43	45	46	67
Chicago	41	44	45	67
Cincinnati	59	59	60	84
Cleveland	39	42	43	63
Columbus	66	70	67	95
Dayton	41	42	45	59
Detroit	30	32	32	52
Gary	81	98	108	112
Indianapolis	47	49	41	72
Milwaukee	31	37	33	54
Toledo	72	63	65	94
West North Central	42	46	47	67
Kansas City	54	65	66	87
Minneapolis	31	38	39	63
Omaha	82	74	76	100
St. Louis	35	35	37	50
South Atlantic	83	88	87	118
Atlanta	126	138	134	175
Baltimore	66	64	67	87
Charlotte	69	76	76	106
Jacksonville	110	118	117	143
Miami	61	63	60	106
Richmond	50	54	55	68
Washington, D. C.	85	90	88	117
East South Central	75	85	88	105
Birmingham	80	90	99	120
Knoxville	132	143	155	186
Louisville	43	45	47	60
Memphis	70	70	78	99
Nashville	82	112	99	106
West South Central	196	214	227	319
Dallas	204	219	229	270
Houston	282	312	332	486
New Orleans	114	122	132	192
Oklahoma City	141	152	170	262
San Antonio	136	136	144	189
Tulsa	116	134	141	266
Mountain	145	153	160	242
Denver	104	118	120	209
Phoenix	175	182	185	266
Salt Lake City	181	180	203	272
Pacific	114	115	120	181
Los Angeles	94	91	96	159
Sacramento	192	197	203	262
San Bernardino	88	91	89	142
San Diego	203	221	207	314
San Francisco	115	118	132	179
Seattle	125	125	125	179
Percentage of papers with rising volume	12%	35%	27%	18%
Unemployment rate	9.8%	9.8%	9.5%	7.3%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
n.a.—not available r—revised

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1980	76.0	74.1	71.2	53.6	45.1	54.1	62.9	67.5	75.1	76.7	79.9	68.0
1981	70.0	63.5	71.8	75.0	79.9	79.6	78.6	78.6	70.4	67.4	61.5	59.4
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	53.5p			

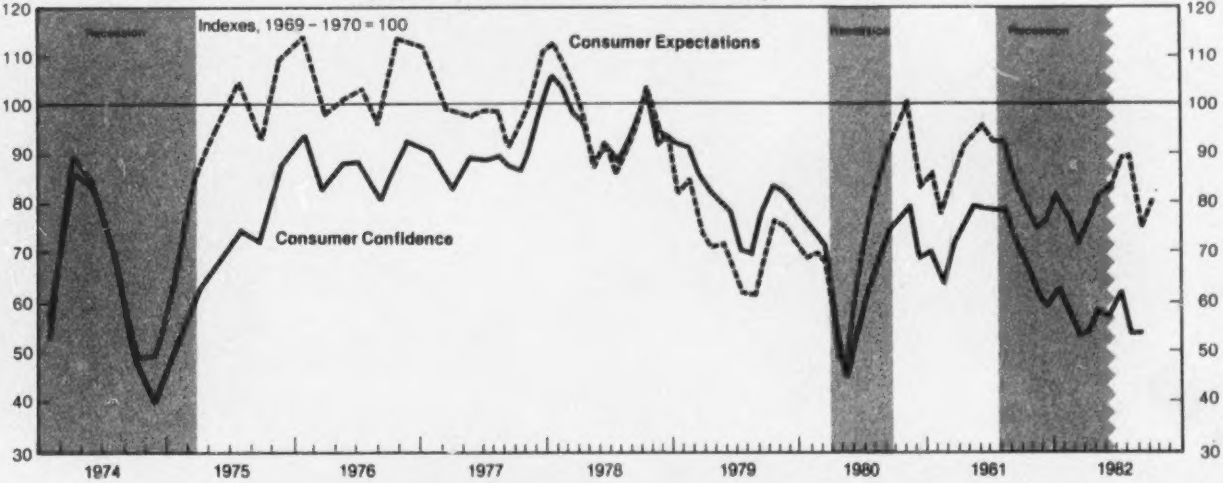
Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1980	97.3	107.6	115.7	84.5	78.1	94.3	92.9	86.6	99.2	91.8	94.2	89.2
1981	87.5	90.5	98.0	85.9	84.8	89.5	78.7	96.7	90.3	86.2	89.8	99.2
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0r	74.7p			

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



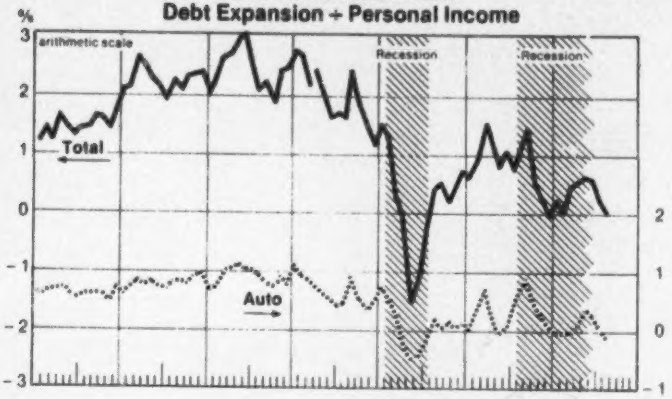
CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

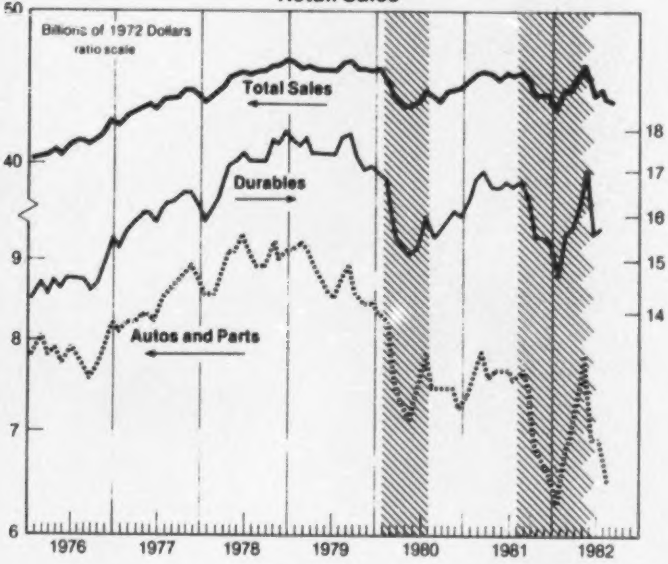
		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	I	$1562.7	$547.6	$390.9	$156.7	71.4%	25.0%	14.6%	9.9%
	II	1660.0	609.4	412.0	197.4	67.6	24.8	16.4	10.0
	III	1688.5	602.6	421.7	180.9	70.0	25.0	15.3	9.2
	IV	1729.0	615.0	437.8	177.2	71.2	25.3	14.4	9.0
1979	I	1769.0	628.7	437.6	191.1	69.6	24.7	14.1	8.3
	II	1841.2	657.7	433.3	224.4	65.9	23.5	16.0	10.4
	III	1868.5	652.6	449.3	203.3	68.8	24.0	14.4	9.3
	IV	1905.8	643.4	466.4	177.1	72.5	24.5	13.1	9.0
1980	I	1990.4	683.1	482.0	201.1	70.6	24.2	14.3	10.5
	II	1935.0	591.5	451.4	140.1	76.3	23.3	12.0	11.9
	III	2055.7	665.1	468.6	196.5	70.5	22.8	14.5	11.5
	IV	2131.0	717.6	493.3	224.3	68.7	23.1	14.2	10.6
1981	I	2169.2	723.2	522.0	201.2	72.2	24.1	12.9	9.9
	II	2212.6	715.5	517.0	198.5	72.3	23.4	13.7	10.3
	III	2293.4	741.9	527.3	214.6	71.1	23.0	14.2	11.4
	IVr	2296.7	727.9	521.9	206.0	71.7	22.7	13.2	12.1
1982	Ip	2323.6	730.4	534.0	196.4	73.1	23.0	12.5	10.5

Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin.*

P—Preliminary R—Revised



Consumer Installment Debt Expansion ÷ Personal Income



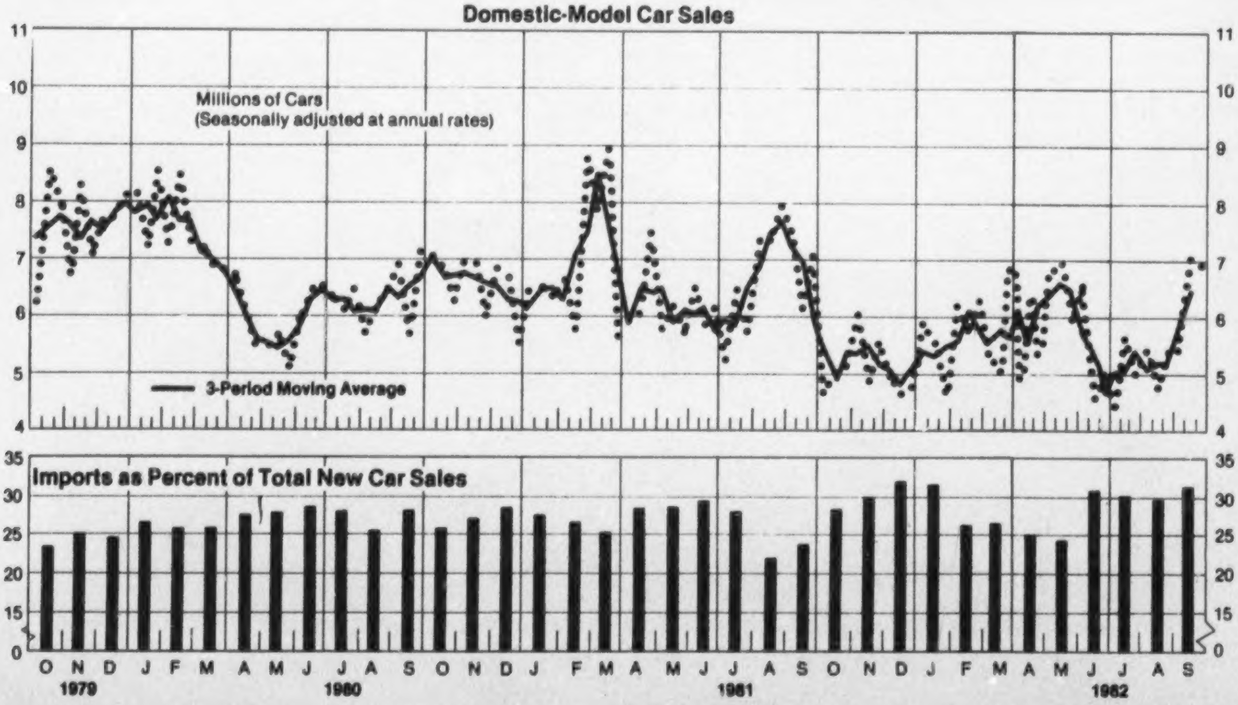
Retail Sales

CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1979	1980	1981	1982
January:	1-10	9.60	8.11	6.48	5.87
	11-20	9.54	7.19	6.56	5.53
	21-31	9.25	8.58	6.33	4.70
February:	1-10	9.34	7.21	6.63	6.19
	11-20	9.26	8.46	5.79	5.75
	21-28(29)	8.94	7.24	8.80	6.33
March:	1-10	8.94	7.20	7.81	5.36
	11-20	9.43	6.88	8.93	5.04
	21-31	8.46	6.83	5.63	6.89
April:	1-10	9.44	6.73	5.94	4.91
	11-20	7.91	5.92	6.01	6.38
	21-30	8.60	5.45	7.52	5.36
May:	1-10	8.61	5.44	5.75	6.85
	11-20	7.54	5.69	6.20	6.98
	21-31	8.47	5.09	5.69	5.98
June:	1-10	7.12	5.94	6.51	6.52
	11-20	7.69	6.43	5.88	4.59
	21-30	6.92	6.50	6.15	5.00
July:	1-10	8.18	6.34	5.24	4.42
	11-20	7.86	6.11	6.48	5.62
	21-31	8.93	6.49	5.73	5.01
August:	1-10	8.17	5.65	7.37	5.40
	11-20	10.82	6.16	7.35	4.76
	21-31	8.62	6.46	7.97	5.37
September:	1-10	9.46	6.92	7.53	5.40
	11-20	9.36	5.61	6.14	7.01
	21-30	7.27	7.16	7.10	6.91
October:	1-10	6.23	7.06	4.65	
	11-20	8.51	6.86	5.03	
	21-31	7.98	6.26	5.14	
November:	1-10	6.71	6.97	6.01	
	11-20	8.15	6.97	4.86	
	21-30	7.09	5.98	5.58	
December:	1-10	7.68	6.83	4.96	
	11-20	7.72	6.73	4.66	
	21-31	8.07	5.49	4.78	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.



Domestic-Model Car Sales

Imports as Percent of Total New Car Sales

12/14/82 R4105-3B

STATISTICAL BULLETIN

STATISTICAL REFERENCE INDEX
ACQUISITIONS
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BETHESDA, MD. 20814

Volume 15 No. 10, November, 1982

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The Conference Board

COMMENT

Economy watching has become something of a waiting game. Obviously, the consumer-led recovery will not begin without the consumer, but indications are that the widely expected surge in consumer buying has been delayed. The delay results, in part, from consumer confidence being badly shaken by steep and continuous increases in unemployment. It also stems from the fact that, even though interest rates in general are now much lower than they were this past Summer, consumer-loan rates have been very slow to move down. The cyclical momentum that most economy watchers think should be carrying activity higher is apparently still bumping into a brick wall of high real-interest rates.

At the beginning of 1982, the consensus of the *Economic Forecasts* was that real output would rise by 4% from the fourth quarter of 1982 to the fourth quarter of 1983, that inflation would be only about 7% in this period, and that the unemployment rate would be just over 8% at the end of the period. As indicated in the accompanying chart, expectations for real growth in 1983 have been very consistent throughout the past year, but the inflation outlook has been steadily revised downward to about 6%, a full percent lower than originally projected. The biggest change in the outlook, however, has been in that for unemployment: The potential worsening of unemployment was seriously underestimated by the forecasters and, one may assume, the policy formulators. By September, the *Economic Forecasts* were indicating that the unemployment rate would probably be around 9% in the fourth quarter of 1983, that was revised to 9.4% in October (all estimates are medians of the forecasts).

What these data suggest is that while the consumer was prepared for a steady drum beat of news about tightening in labor-market conditions, the actual news reports have been continuously worse than anticipated. Consumer expectations of near-term economic conditions took a nose dive and the waiting game began—waiting for some solid, concrete evidence that the economy was not in an uninterrupted free fall. In allowing interest rates to decline in the latter part of 1982, the Federal Reserve was acknowledging the slowdown of inflation and, perhaps, signaling markets that restrictive monetary policy having achieved at least part of its task, would give way to a more stimulative posture.

The *Economic Forecasts* now anticipate sluggish growth in the fourth quarter of this year, with recovery beginning in the first quarter of 1983. This view assumes continued lowering of the financial-conditions barrier to cyclical expansion. The general consensus remains one of modest rebound beginning soon but with an uncomfortable preponderance of risks on the downside. If the economic recovery is waiting for the consumer, the attitude surveys suggest that the consumer is waiting for the recovery. The Conference Board's *Consumer Confidence Index* dropped from 61.6 (1969-1970 = 100) in July to 53.7 in August, recovered to only 54.4 in September, then tumbled to 49.2 in October. The survey shows that the very bleak assessment of current conditions has become even more bearish in the latest three months. The appraisal of near-term conditions, which has been improving steadily, has fallen significantly in recent months. The consumer remains cautious—especially with respect to making long-term commitments on installment plans—and is clearly waiting for some clear signs of economic recovery to relieve the need for caution. However, not much increase in production is likely without stronger final demand.

Given the sizable decline in employment levels in recent months, it is hardly surprising that personal income, adjusted for inflation, fell in August and September—and it is not expected to rise very much in the fourth quarter. On the other hand, the July tax cut was expected to lead to a big jump in the saving rate in the third quarter. It did not and now the probability is that the saving rate will fall in the fourth quarter. That suggests consumers are going to spend a little more of their income. Also, credit use is no longer dropping. The ratio of Consumer Installment Debt Expansion to Personal Income was rising modestly in the Spring, but then leveled off in June and July and fell sharply in August. In September, however, it returned to the rate of last Spring. In sum, consumers could be said to have the means, but little inclination, for some modest rise in buying.

Retail sales, adjusted for inflation, fell badly this Summer. The drop was more pronounced in durable goods—a category frequently financed by installment credit. In September and October, however, real retail sales improved, although they remain below the levels of last Spring. New domestic *Automobile Sales* improved a little in September, no doubt aided by the introduction of the new models. The improvement, unfortunately, proved to be short-lived. The average annual selling rate for September was about 6 ½ million cars, but it fell to just over 5 million in October—the same

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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845 Third Avenue
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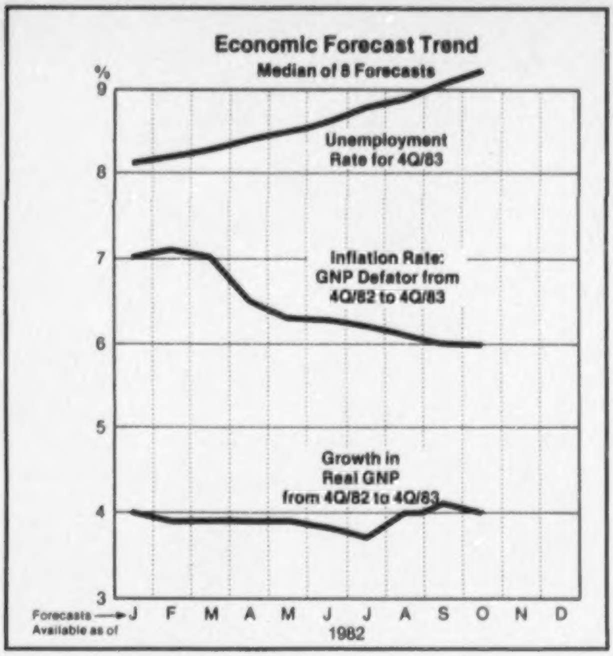
The Conference Board, Inc.
Avenue Louise, 207 Bte 5
B-1050 Brussels, Belgium



rate that prevailed in July and August. The modest recovery scenario in the *Economic Forecasts* implies that domestic-model sales might hit 8 ½ million, perhaps even a little more than that, in 1983. The industry's break-even point is considerably below that figure, perhaps by more than a million cars. Given the inroads that foreign models have achieved—their sales have been running a little over a 2-million rate in recent months—prospects for returning to the pre-recession domestic selling rate of 9 to 10 million cars do not appear to be great.

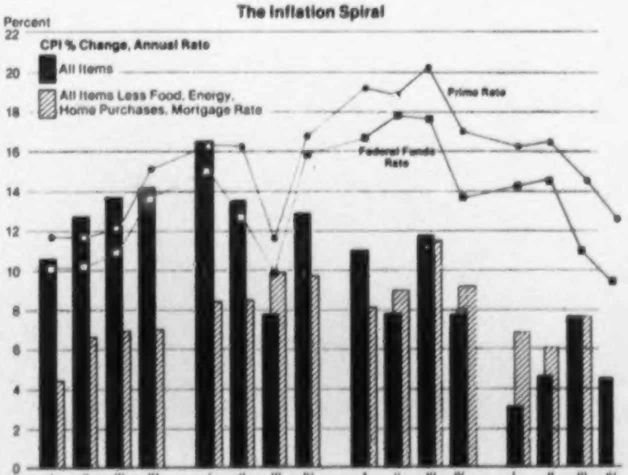
Inventory/sales ratios were declining throughout the first half of 1982, but have begun to rise in the last few months. Sales may no longer be declining but remain too low to sustain even the very curtailed current level of production. Hence, inventory has begun to pile up somewhat. As a result, industrial production fell more sharply in October than in any month since last April. In fact, industrial production was almost 12% lower in October, 1982, than the peak level reached in July, 1981. The very steep decline in production, mirrored in the drop in capacity-utilization rates, has resulted in very substantial layoffs in the goods- producing sector of the economy. That, together with some decline in service-sector employment, has fueled the persistent rise in unemployment which has so devastated consumer spirits.

The composite index of *Leading Economic Indicators* rose in September, the fifth increase in the last six months, for a cumulative rise of about 4 percent. An improvement of that size and duration strongly indicates that there is, indeed, gathering cyclical momentum in the system. And up until only two months ago, the median of the *Economic Forecasts* was for a rise in real GNP of just under 4% (seasonally adjusted annual rate) in the fourth quarter of 1982. The current, more somber, view is that the rise in real output this quarter is between 0.7% and 2.8%, with a median of 1.6 percent. The median of the forecasts is that the growth rate will average 3 ½% in the first half of 1983, reach a high of 5.3% *in the third quarter, then ease off to* 4.7% in the fourth quarter. Prospects are that growth will continue a little above 4% in 1984. The more pessimistic view is that the recovery will start later and be considerably more subdued than that.

The median of the *Economic Forecasts* is that the inflation rate will remain at about 6% through the end of 1984 (the forecast horizon). None of the forecasts indicates it will be higher than 7% by the end of 1983, although a few suggest it might go a little higher than that in 1984.

Although the unemployment rate reached 10.4% in October, it is beginning to look as if the rate may begin to level off. Initial claims for unemployment insurance and the total number receiving unemployment checks began to stabilize in early November. Also, The Conference Board's *Help-wanted Index* fell sharply again in September—but early indications are that it may have risen by 2 or 3 points in October. If so, it would be the first increase in want-ad volume since the recession began. The median of the *Economic Forecasts* is that the unemployment rate will average 10.3% in the fourth quarter of 1982 and 10.2% in the first quarter of 1983. The median view is that it will drop to 9.4% by the end of 1983 and to 8.3% by the end of 1984. The more pessimistic view is that the rate will be 10.5% in the fourth quarter of 1982, still be at 10.2% in the fourth quarter of 1983, and 9.5% in the fourth quarter of 1984. To the extent that a 10% unemployment rate made the 1982 election an unpleasant experience for both winners and losers, the 1984 experience will not be much more agreeable with a rate of 8 ½% or more.

Ken Goldstein

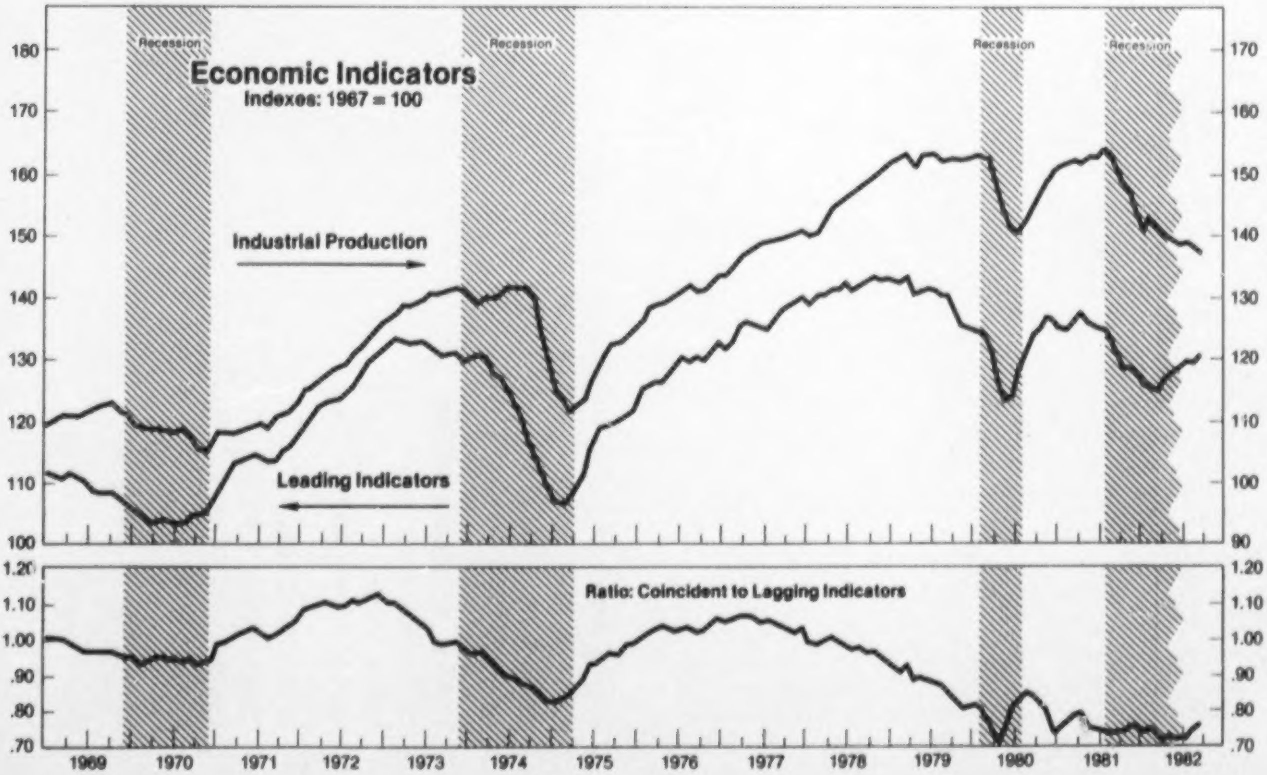


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change from year-ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Sept.	X			+ 1.6%	— 0.2%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Sept.		X		+ 6.4%	—16.1%
New orders, nondefense capital goods (deflated)	Sept.		X		+ 8.2%	—20.6%
*Net business formation	Dec.			X	— 5.7%	—12.6%
*Housing permits	Sept.		X		+ 8.0%	+ 20.2%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Sept.		X		— 1.3%	— 9.6%
*Change in inventory, on hand & order (deflated)	Aug.	X			+ 5.5%	—20.0%
Purchasing agents' buying policy	Oct.		X		— 4 %	—13 %
*Vendor performance, reported slower deliveries	Sept.		X		+ 2 %	— 3 %
Industrial raw materials prices	Oct.			X	— 0.5%	—15.1%
*Change in sensitive prices	Sept.		X		+ 0.4%	+ 0.5%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Sept.	X			+ 1.4%	+ 4.7%
Change in business loans	Oct.		X		+ 15.2%	+ 11.2%
*Change in liquid assets	Sept.	X			+ 0.5%	+ 0.7%
Change in consumer installment debt	Aug.			X	—16.0%	—28.4%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q			X	— 0.2%	—24.3%
*Common stock prices	Oct.	X			+ 22.5%	+ 11.8%
Marginal Employment Adjustments						
*Average workweek, mfg.	Oct.			X	— 0.5hr.	— 0.8hr.
*Initial unemployment claims (inverted)	Sept.			X	—21.8%	—38.9%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



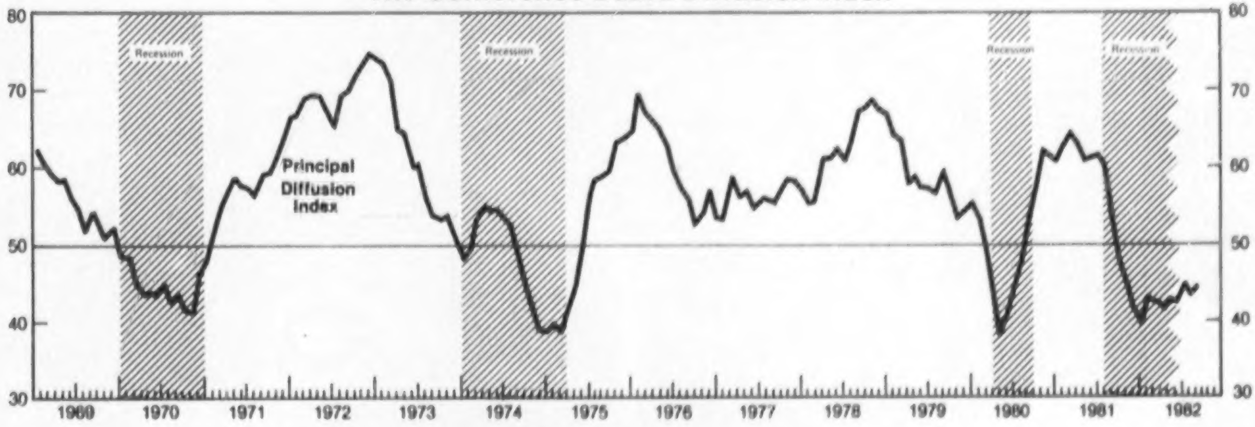
CONFERENCE BOARD DIFFUSION INDEXES

	1981	1982			
DIFFUSION INDEXES	Sept.	June	July	Aug.	Sept.(e)
Principal Diffusion Index	47.6r	42.2r	44.3r	43.2r	44.4
Auxiliary Diffusion Index	27.8r	48.6r	56.6r	46.7r	53.6
Industrial Group	45.2	30.8r	34.4r	35.2r	35.2
Nonindustrial Group	49.9r	53.7r	54.2r	51.3r	53.5
Sense of Diffusion	—1	0	0	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	50.9	32.5r	41.9r	46.2r	50.9
Labor	38.1	24.0	24.9r	23.2r	19.9
Miscellaneous	54.5	45.5	46.8	48.7	50.0
Nonindustrial Subgroups					
Prices	34.0	41.7	42.9	36.5	38.5
Consumer	77.8	68.4	68.4	63.2	64.1
Building	27.6	40.4	42.3	43.6r	48.7
Miscellaneous	47.6r	55.8r	55.3r	54.3r	56.2

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

p—preliminary   e—estimate   r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1980				1981				1982		
	Feb.	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*
	Score (scale 0-100)										
Measure of Business Confidence	40	29	49	63	58	61	57	43	47	52	55
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	36	16	28	59	50	57	48	26	23	30	38
2. Expectations for Economy, Six Months Ahead	38	31	60	67	63	64	63	51	59	64	66
3. Expectations for Own Industry, Six Months Ahead	45	40	60	63	61	61	60	52	56	61	61

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1980	1981				1982		Percent Change From Previous Year	
								1981	1982
	IV	Ir	IIr	IIIr	IVr	Ir	IIp	Actual	Expected**
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	26.151	27.696	28.060	26.936	22.992	25.767	20.039	2	−11
Capital expenditures	22.801	24.057	24.580	26.217	26.174	26.924	26.315	15	1
Change in appropriations backlog*	+ 2.606	+ 2.714	+ 2.736	+ 1.164	−4.602	−1.629	−8.149		
Durable Goods									
New appropriations	10.724	9.705	11.488	11.549	9.532	8.446	7.600	−5	−13
Capital expenditures	10.477	10.323	10.405	11.079	10.965	11.161	11.006	4	−3
Change in appropriations backlog*	+ 0.305	−0.702	+ 0.757	+ 0.964	−1.953	−2.994	−4.176		
Nondurable Goods									
New appropriations	15.427	17.991	16.572	15.389	13.460	17.321	12.439	7	−11
Capital expenditures	12.324	13.734	14.175	15.138	15.209	15.763	15.309	24	5
Change in appropriations backlog*	+ 2.301	+ 3.416	+ 1.979	+ 0.200	−2.649	+ 1.365	−3.973		
ELECTRIC & GAS UTILITIES									
New appropriations	11.129	10.300	12.679	10.163	8.401	8.665			
Capital expenditures	8.291	7.698	8.002	8.576	8.947	8.678			
Change in appropriations backlog*	−1.288	+ 1.868	+ 4.281	−6.870	−6.195	−5.369			

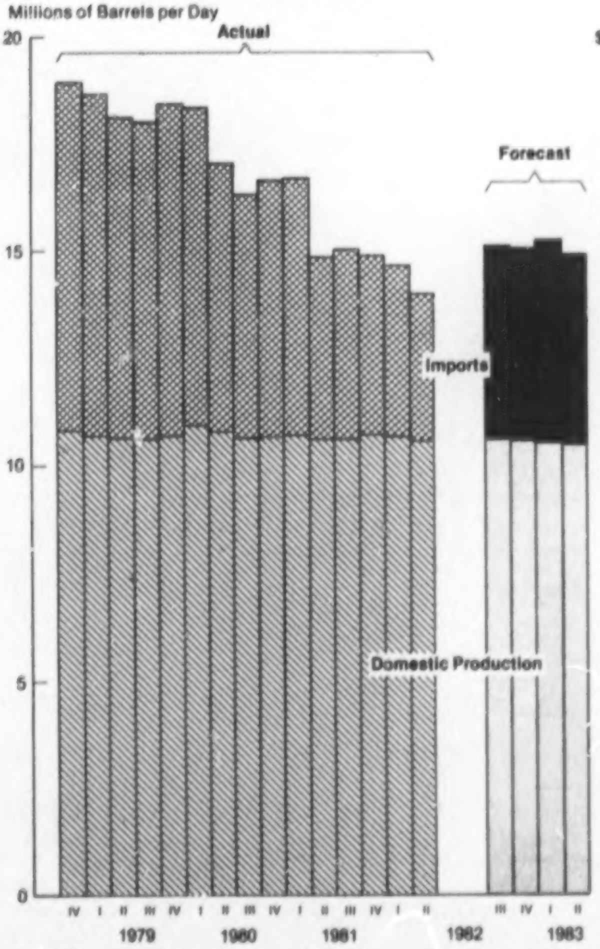
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

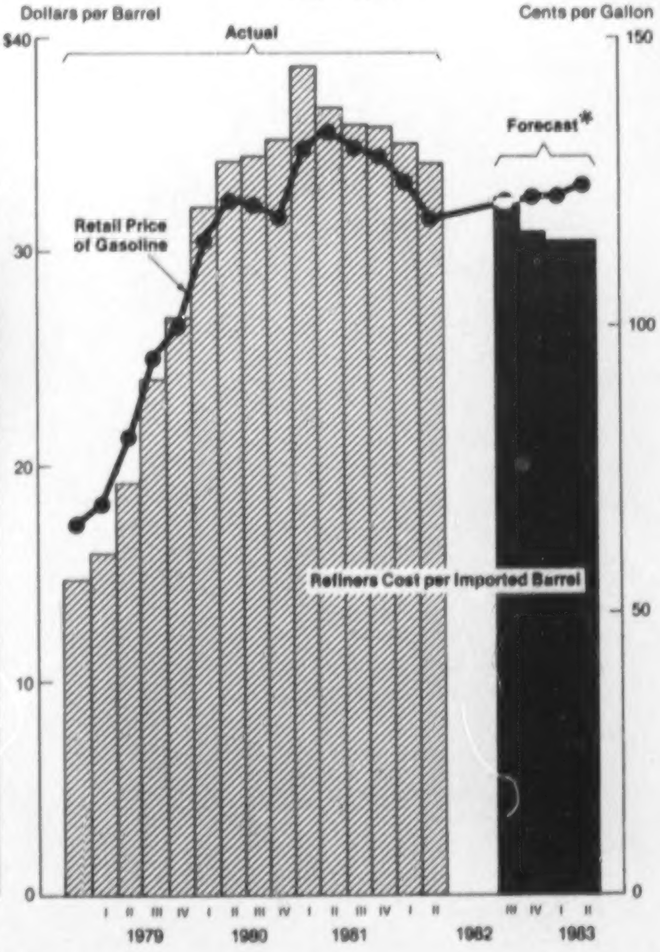
* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply

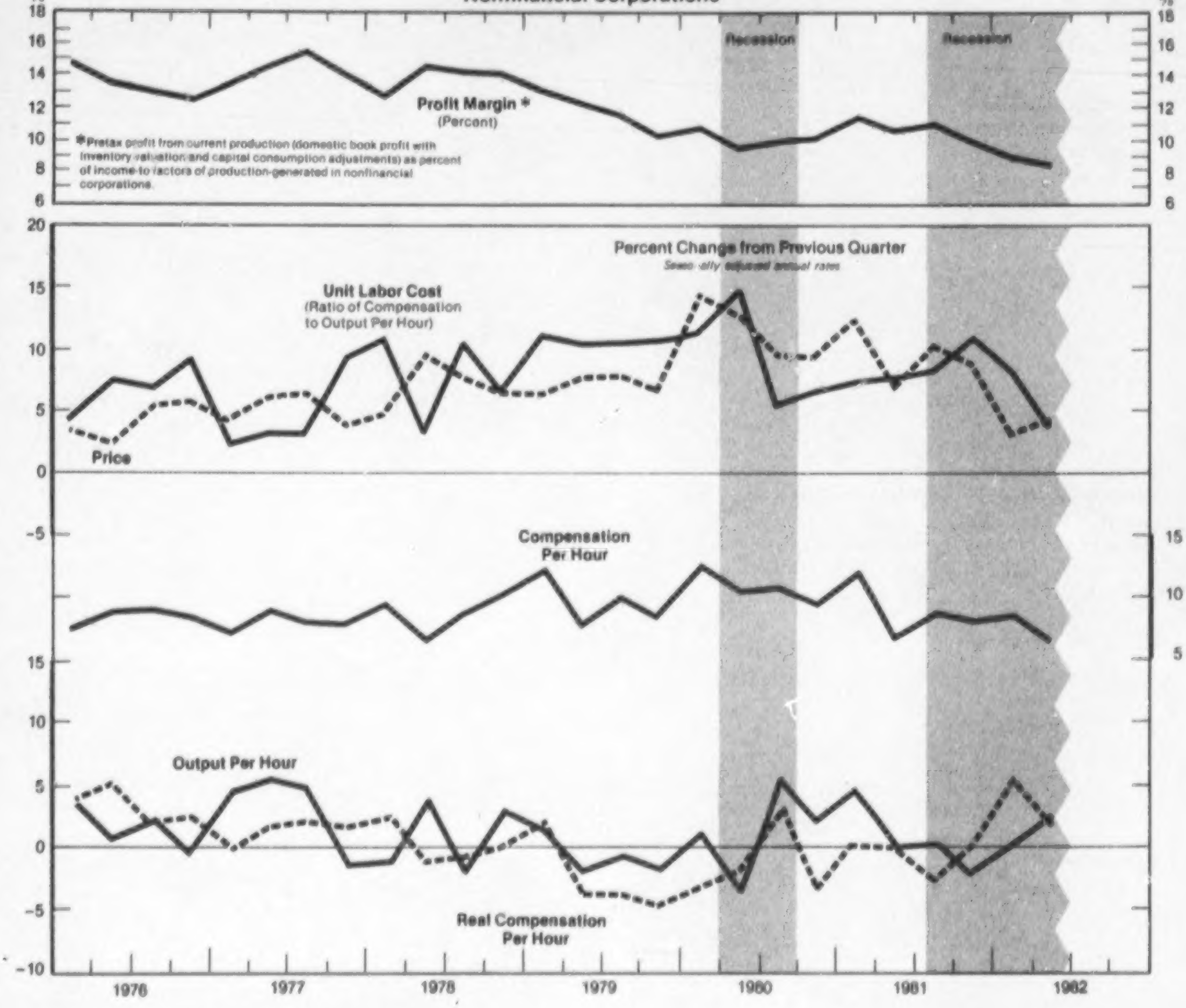


Oil Price



*Source of forecast is The Energy Information Administration, Department of Energy.

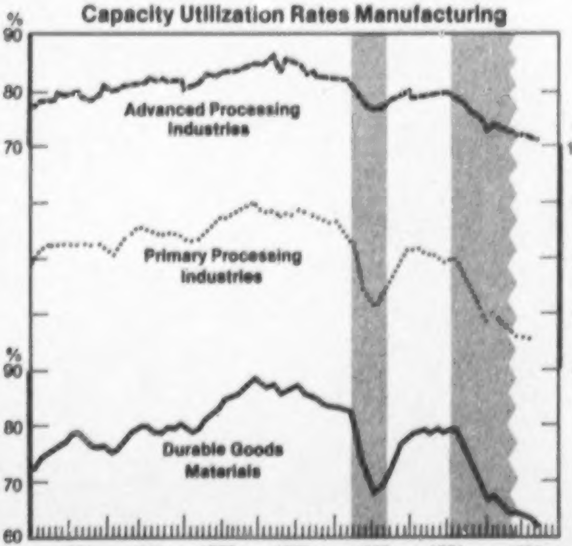
Key Determinants of Profit Margin,
Nonfinancial Corporations



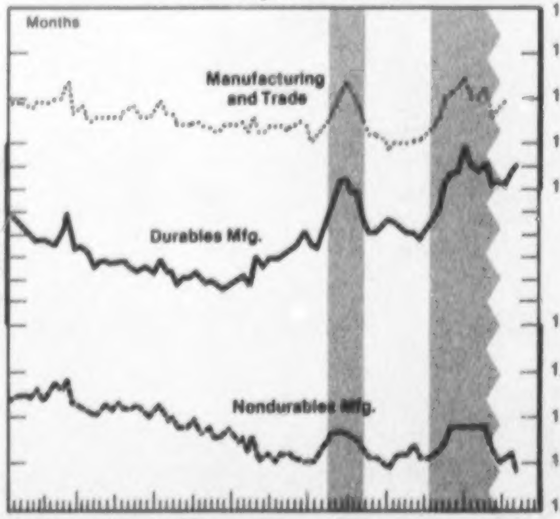
*Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income to factors of production generated in nonfinancial corporations.

Seasonally adjusted annual rates

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[1]		Merrill Lynch Economics Inc.[2]		Kent Economic Institute[1]		Georgia State University[1]	
Date of Forecast			*Oct., 1982*		*Oct., 1982*		*Oct., 1982*		*Oct., 1982*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1982**	**III**	**$3091.4**	**6.2%**			**$3091.4**	**6.2%**	**$3091.4**	**6.2%**
Forecast		IV	3139.9	6.4	$3170.3	10.5%	3160.5	9.2	3137.0	6.0
	1983	I	3210.8	9.3	3231.0	7.9	3246.0	11.3	3207.1	9.2
		II	3285.9	9.7	3290.6	7.6	3331.2	10.9	3273.3	8.5
		III	3376.3	11.5	3383.9	11.8	3408.5	9.6	3351.2	9.9
		IV	3477.4	12.5	3480.8	12.0	3494.1	10.4	3423.2	8.9
	1984	I	3578.9	12.2	3572.2	10.9	3590.7	12.6	3507.1	10.2
		II	3663.1	9.7	3670.5	11.5	3725.5	14.7	3579.3	8.0
		III	3753.0	10.2			3837.9	12.6	3643.5	7.4
		IV	3841.0	9.7			3968.0	14.3	3721.8	8.9
	1982	Annual	3068.0	4.4	3075.8	4.7	3073.1	4.6	3067.3	4.4
	1983	Annual	3337.6	8.8	3346.6	8.8	3369.9	9.7	3313.7	8.0
	1984	Annual	3709.0	11.1			3782.8	12.3	3612.9	9.0
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1982**	**III**	**$1481.2**	**0.8%**			**$1481.2**	**0.8%**	**$1481.2**	**0.8%**
Forecast		IV	1483.7	0.7	$1493.1	2.8%	1486.0	1.3	1484.2	0.8
	1983	I	1496.0	3.1	1501.8	2.4	1500.7	4.0	1497.1	3.5
		II	1512.9	4.9	1509.7	2.1	1514.9	3.8	1507.0	2.7
		III	1534.8	5.9	1527.1	4.7	1527.1	3.3	1522.7	4.2
		IV	1557.8	6.1	1548.1	5.6	1544.0	4.5	1534.9	3.2
	1984	I	1580.4	5.9	1566.7	4.9	1556.3	3.2	1552.2	4.6
		II	1597.1	4.3	1586.1	5.0	1572.6	4.3	1562.0	2.5
		III	1614.3	4.4			1589.2	4.3	1569.4	1.9
		IV	1629.3	3.8			1603.9	3.8	1582.0	3.3
	1982	Annual	1478.5	−1.6	1481.3	−1.4	1479.1	−1.6	1478.6	−1.6
	1983	Annual	1525.1	3.2	1521.7	2.7	1521.7	2.9	1515.4	2.5
	1984	Annual	1605.3	5.3			1580.5	3.9	1566.4	3.4
Gross National Product Deflator Index, 1972 = 100										
Actual	**1982**	**III**	**208.7**	**5.4%**			**208.7**	**5.4%**	**208.7**	**5.4%**
Forecast		IV	211.6	5.7	212.3	7.5%	212.7	7.8	211.4	5.2
	1983	I	214.8	6.1	215.1	5.4	216.3	7.0	214.2	5.5
		II	217.2	4.6	218.0	5.4	219.9	6.8	217.2	5.7
		III	220.0	5.2	221.6	6.8	223.2	6.1	220.1	5.4
		IV	223.2	6.0	224.8	6.0	226.3	5.7	223.0	5.5
	1984	I	226.5	5.9	228.0	5.7	231.3	9.1	225.9	5.3
		II	229.4	5.2	231.4	6.1	236.9	10.0	229.1	5.8
		III	232.5	5.6			241.5	8.0	232.2	5.4
		IV	235.7	5.7			247.4	10.1	235.3	5.4
	1982	Annual	207.5	6.1	207.6	6.2	207.8	6.3	207.4	6.1
	1983	Annual	218.6	5.5	219.9	5.9	221.5	6.6	218.7	5.4
	1984	Annual	231.1	5.6			239.3	8.1	230.7	5.5
Unemployment Rate										
Actual	**1982**	**III**	**9.9%**		**9.9%**		**9.9%**		**9.9%**	
Forecast		IV	10.4		10.2		9.9		10.5	
	1983	I	10.3		10.1		9.3		10.5	
		II	9.9		10.0		8.9		10.4	
		III	9.7		9.7		8.3		10.3	
		IV	9.3		9.6		8.3		10.2	
	1984	I	8.9		9.2		7.9		10.0	
		II	8.4		8.6		7.6		9.8	
		III	8.0				7.4		9.7	
		IV	7.7				7.3		9.5	
	1982	Annual	9.6		9.6		9.5		9.7	
	1983	Annual	9.8		9.8		8.7		10.3	
	1984	Annual	8.2				7.6		9.7	

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary third quarter data.

[2] Based on revised (2nd revision) second quarter data.

ECONOMIC FORECASTS (continued)

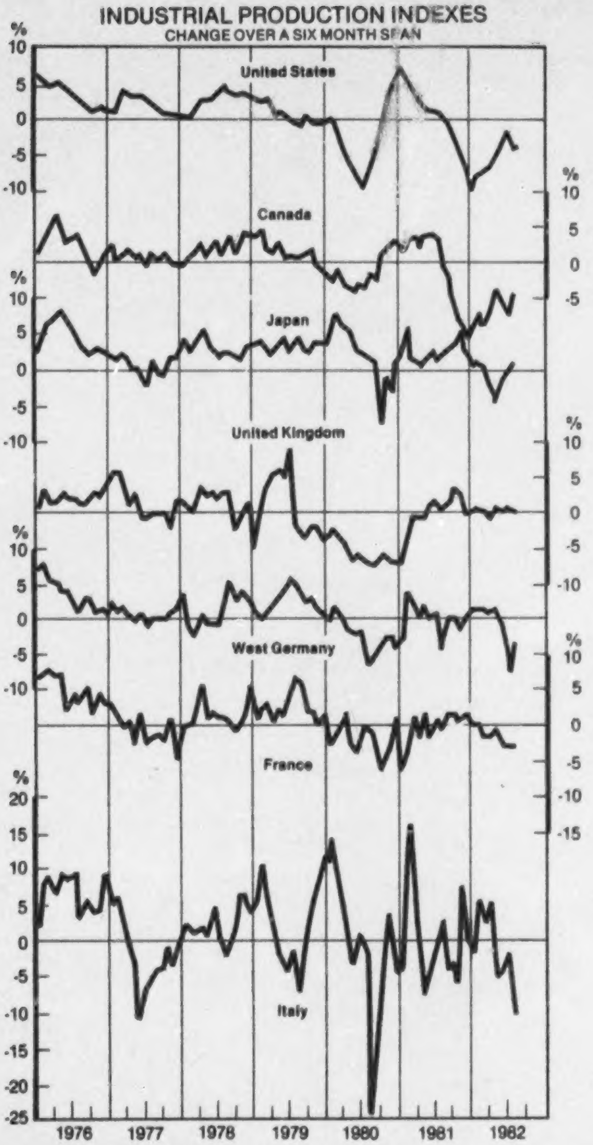
The Conference Board[1]		Chase Econometric Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Oct., 1982		Oct., 1982		Oct., 1982		Oct., 1982				
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Billions of Current Dollars		
$3091.4	6.2%	$3091.4	6.2%	$3091.4	6.2%	$3091.4	6.2%	III	1982	Actual
3137.0	6.0	3140.2	6.5	3149.7	7.8	3154.5	8.4	IV		Forecast
3212.0	9.9	3203.1	8.3	3222.2	9.5	3223.0	9.0	I	1983	
3310.0	12.8	3277.5	9.6	3289.1	8.6	3305.7	10.7	II		
3405.0	12.0	3374.4	12.4	3371.5	10.4	3399.6	11.9	III		
3495.0	11.0	3465.0	11.2	3464.7	11.5	3499.0	12.2	IV		
		3548.2	10.0	3553.4	10.6	3595.8	11.5	I	1984	
		3635.9	10.3	3642.8	10.4	3696.4	11.9	II		
		3728.0	10.5	3745.2	11.7	3797.0	11.1	III		
		3828.6	11.2	3848.6	11.5	3899.6	11.3	IV		
3067.3	4.4	3068.1	4.4	3070.4	4.5	3071.6	4.6	Annual	1982	
3355.5	9.4	3330.0	8.5	3336.9	8.7	3356.8	9.3	Annual	1983	
		3685.2	10.7	3697.5	10.8	3747.7	11.6	Annual	1984	
								Gross National Product Billions of Constant (1972) Dollars		
$1481.2	0.8%	$1481.2	0.8%	$1481.2	0.8%	$1481.2	0.8%	III	1982	Actual
1484.8	1.0	1488.5	2.0	1488.8	2.1	1489.2	2.2	IV		Forecast
1498.4	3.7	1500.5	3.3	1501.2	3.4	1500.4	3.0	I	1983	
1519.3	5.7	1513.4	3.5	1512.8	3.1	1516.8	4.4	II		
1539.0	5.3	1533.2	5.3	1529.3	4.4	1537.4	5.5	III		
1556.6	4.6	1547.6	3.8	1546.9	4.7	1556.7	5.1	IV		
		1560.4	3.3	1562.9	4.2	1576.9	5.3	I	1984	
		1573.4	3.4	1579.7	4.4	1597.3	5.3	II		
		1587.5	3.6	1596.2	5.0	1614.3	4.3	III		
		1603.3	4.0	1617.4	4.6	1630.1	4.0	IV		
1478.8	−1.8	1479.7	−1.5	1479.8	−1.5	1479.9	−1.5	Annual	1982	
1528.3	3.3	1523.7	3.0	1522.5	2.9	1527.8	3.2	Annual	1983	
		1581.1	3.8	1589.6	4.4	1604.6	5.0	Annual	1984	
								Gross National Product Deflator Index, 1972 = 100		
208.7	5.4%	208.7	5.4%	208.7	5.4%	208.7	5.4%	III	1982	Actual
211.3	5.0	211.0	4.4	211.6	5.6	211.8	6.1	IV		Forecast
214.4	6.0	213.5	4.8	214.6	6.0	214.8	5.8	I	1983	
217.9	6.7	216.6	5.9	217.4	5.3	217.9	6.0	II		
221.2	6.4	220.1	6.7	220.5	5.7	221.1	6.0	III		
224.5	6.0	223.9	7.1	224.0	6.5	224.8	6.8	IV		
		227.4	6.4	227.4	6.2	228.0	5.8	I	1984	
		231.1	6.7	230.6	5.8	231.5	6.3	II		
		234.8	6.6	234.2	6.4	235.2	6.5	III		
		238.8	6.9	237.9	6.6	239.2	7.0	IV		
207.4	6.1	207.3	6.1	207.5	6.1	207.6	6.2	Annual	1982	
219.6	5.8	218.6	5.4	219.2	5.6	219.7	5.9	Annual	1983	
		233.1	6.6	232.6	6.1	233.6	6.3	Annual	1984	
								Unemployment Rate		
9.9%		9.9%		9.9%		9.9%		III	1982	Actual
10.5		10.3		10.3		10.2		IV		Forecast
10.4		10.2		10.2		10.1		I	1983	
10.2		10.1		9.9		9.8		II		
9.7		10.0		9.7		9.5		III		
9.4		9.8		9.4		9.5		IV		
		9.7		9.2		9.3		I	1984	
		9.6		8.8		9.0		II		
		9.4		8.4		8.7		III		
		9.2		8.1		8.5		IV		
9.7		9.6		9.6		9.6		Annual	1982	
9.9		10.0		9.8		9.7		Annual	1983	
		9.5		8.6		8.9		Annual	1984	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900

SELECTED INTERNATIONAL COMPARISONS

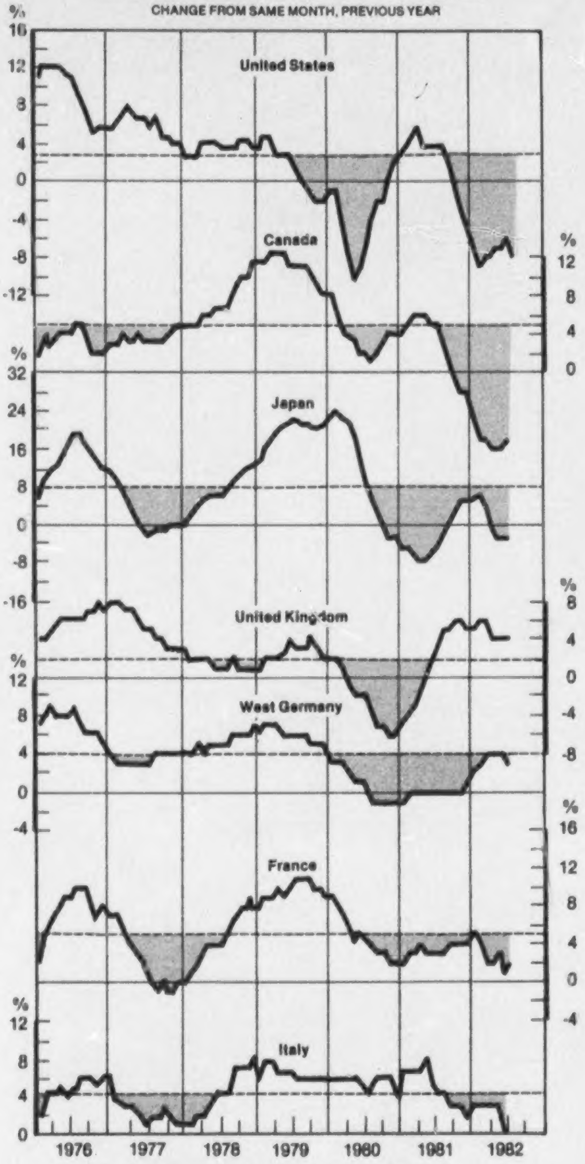
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



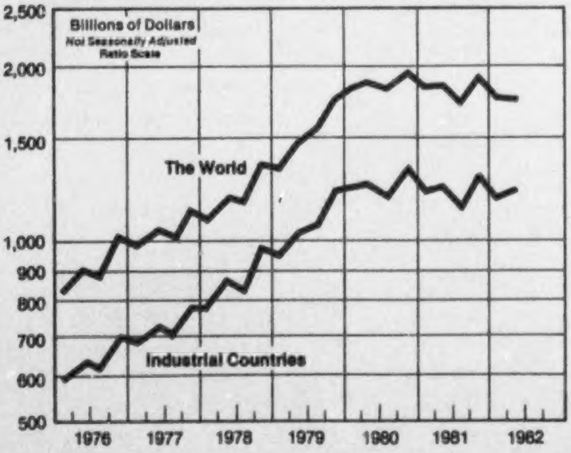
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM SAME MONTH, PREVIOUS YEAR



Source: Center for International Business Cycle Research, Rutgers University

MERCHANDISE TRADE: VALUE OF EXPORTS



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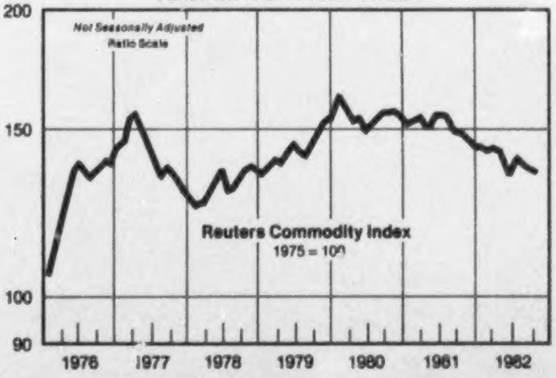
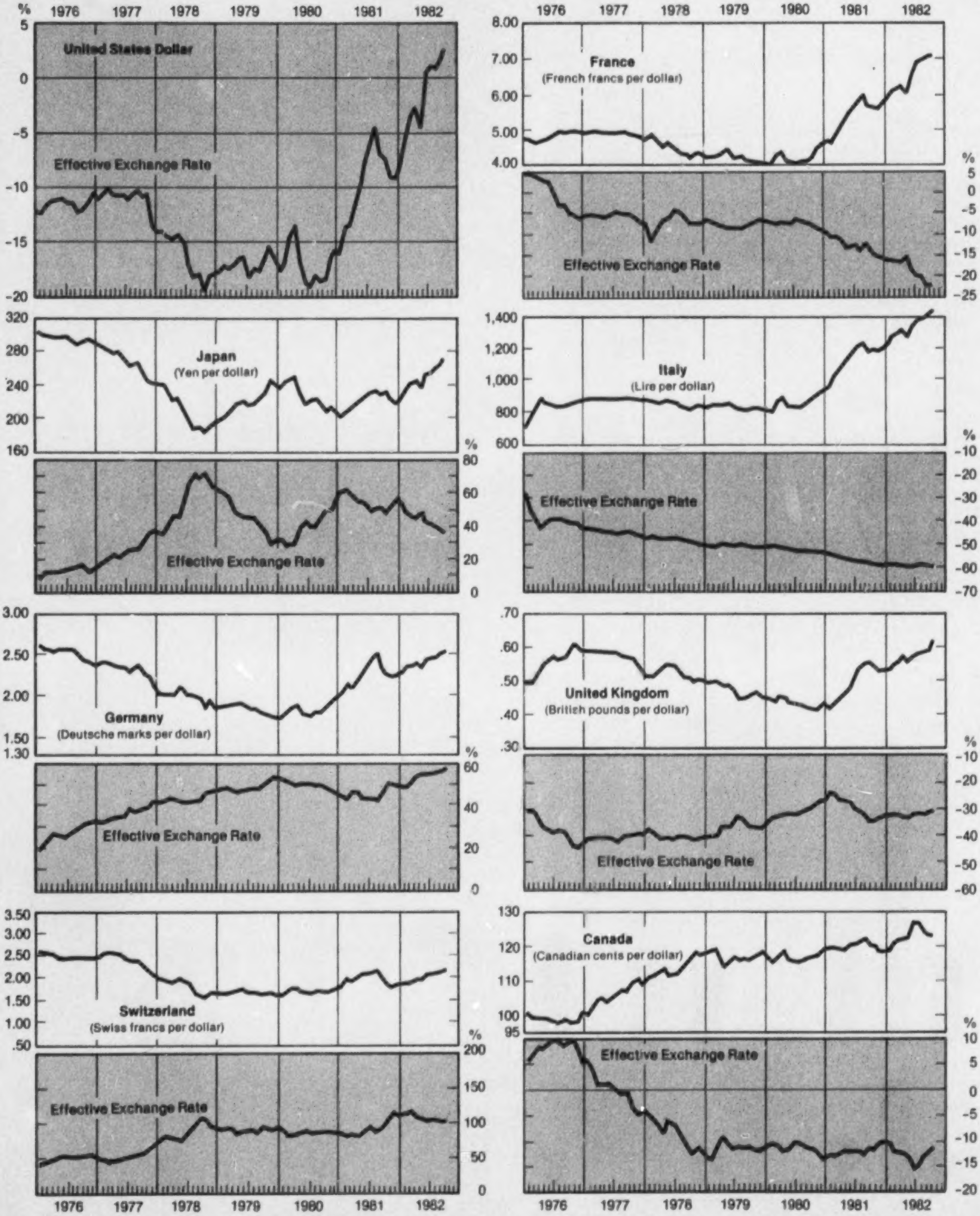


FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-à-vis a group of 15 major currencies, weighted according to the average bilateral manufactures trade of 1976. Changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

Source: Morgan Guaranty Trust

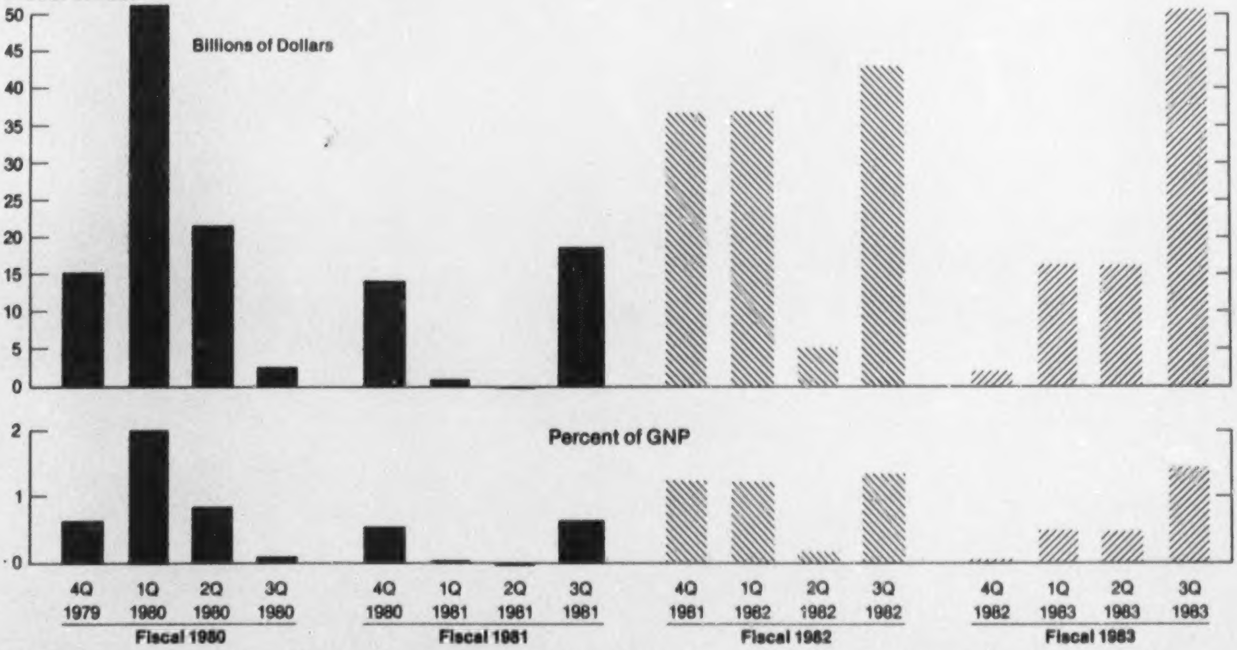
PERSPECTIVE ON THE FEDERAL BUDGET

($ Billions)

	Fiscal 1982	Fiscal 1983			Fiscal 1984	
	Actual	*Current Services*	*President's Proposal*	*Congressional Estimate*	*President's Proposal*	*Congressional Estimate*
	(10/26/82)	*(2/8/82)*	*(2/8/82)*	*(9/1/82)*	*(2/8/82)*	*(9/1/82)*
Receipts	**$617.8**	**$653.3**	**$666.1**	**$633.0**	**$723.0**	**$692.0**
Outlays	**728.4**	**779.3**	**757.6**	**788.0**	**805.9**	**844.0**
Deficit	**—110.6**	**—126.0**	**—91.5**	**—155.0**	**—82.9**	**—152.0**
Receipts by source	**617.8**	**653.3**	**666.1**	**633.0**	**723.0**	**692.0**
Individual income taxes	298.1	301.0	304.5	298.0	322.9	316.0
Corporate income taxes	49.2	56.2	65.3	47.0	83.7	63.0
Social insurance	201.1	223.6	222.5	217.0	242.5	240.0
Other receipts	69.4	72.5	73.8	71.0	73.9	73.0
Outlays by function	**728.4**	**779.3**	**757.6**	**788.0**	**805.9**	**844.0**
Income security	248.8	271.5	261.7	270.0	274.8	285.0
National defense	187.4	202.3	221.1	216.0	253.0	245.0
Health	74.0	82.5	78.1	79.0	84.9	87.0
Veterans' benefits	24.0	24.9	24.4	24.0	25.6	25.0
Education and manpower	25.4	26.7	21.6	27.0	19.3	27.0
Transportation	20.6	20.9	19.6	20.0	18.4	20.0
International affairs	10.0	11.7	12.0	12.0	12.3	12.0
Natural resources and environment	13.1	10.7	9.9	11.0	8.4	10.0
Agriculture	14.8	4.5	4.5	15.0	5.1	10.0
General science	7.1	7.6	7.6	8.0	7.8	8.0
Community development	7.4	7.3	7.3	8.0	6.7	8.0
Revenue sharing	6.2	6.6	6.7	6.0	6.8	7.0
General government	4.8	4.8	5.0	5.0	5.2	5.0
Justice	4.6	4.8	4.6	5.0	4.6	4.0
Energy	4.8	5.5	4.2	5.0	3.8	3.0
Commerce and housing credit	3.8	3.6	1.6	2.0	1.3	3.0
Interest	100.8	115.1	112.5	115.0	116.2	132.0
Allowances	—	1.5	—1.3	—3.0	—0.2	—2.0
Undistributed offsetting receipts	--29.3	—33.4	—43.5	—36.0	—48.2	—43.0

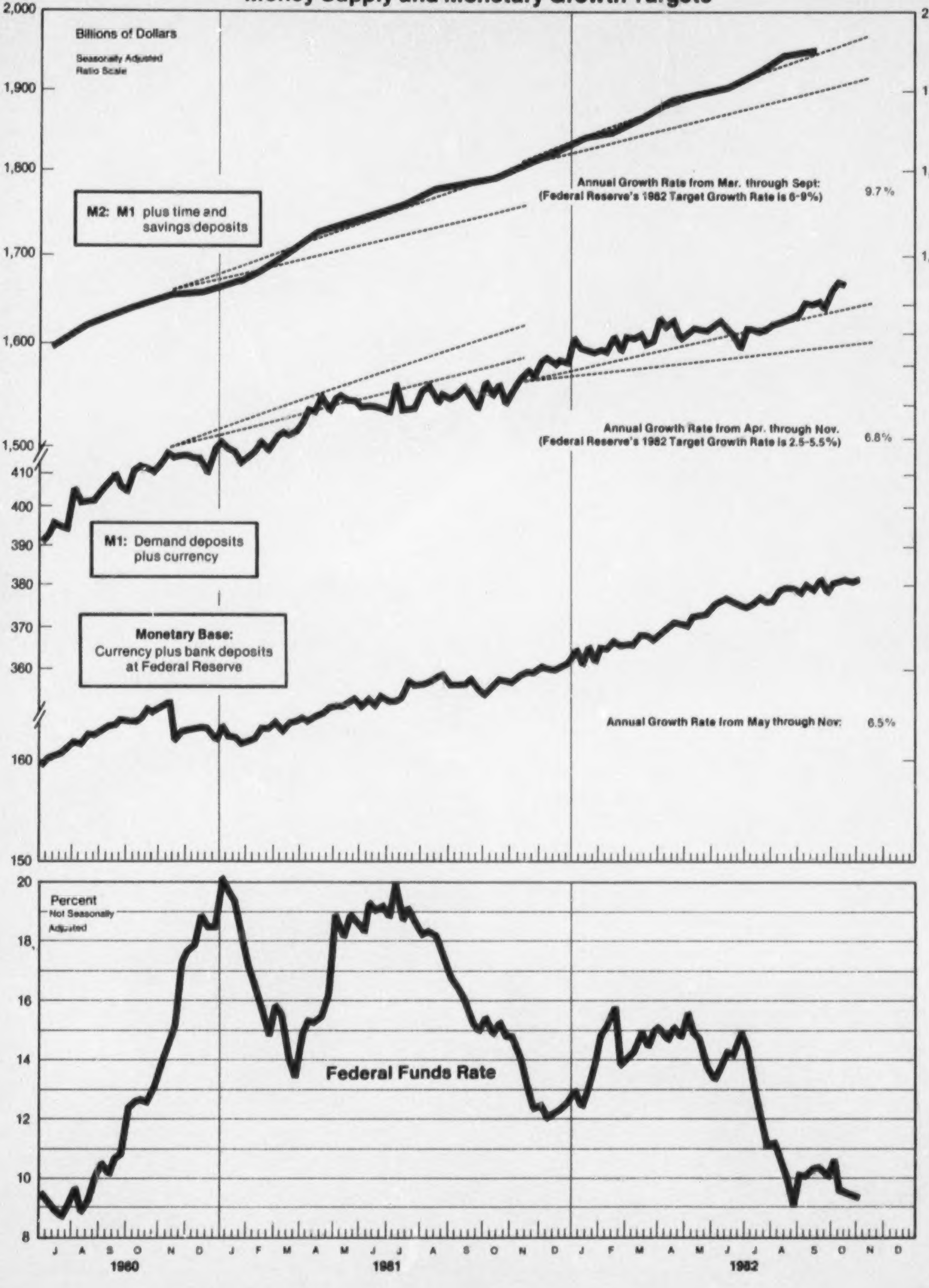
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York: 1980

Money Supply and Monetary Growth Targets



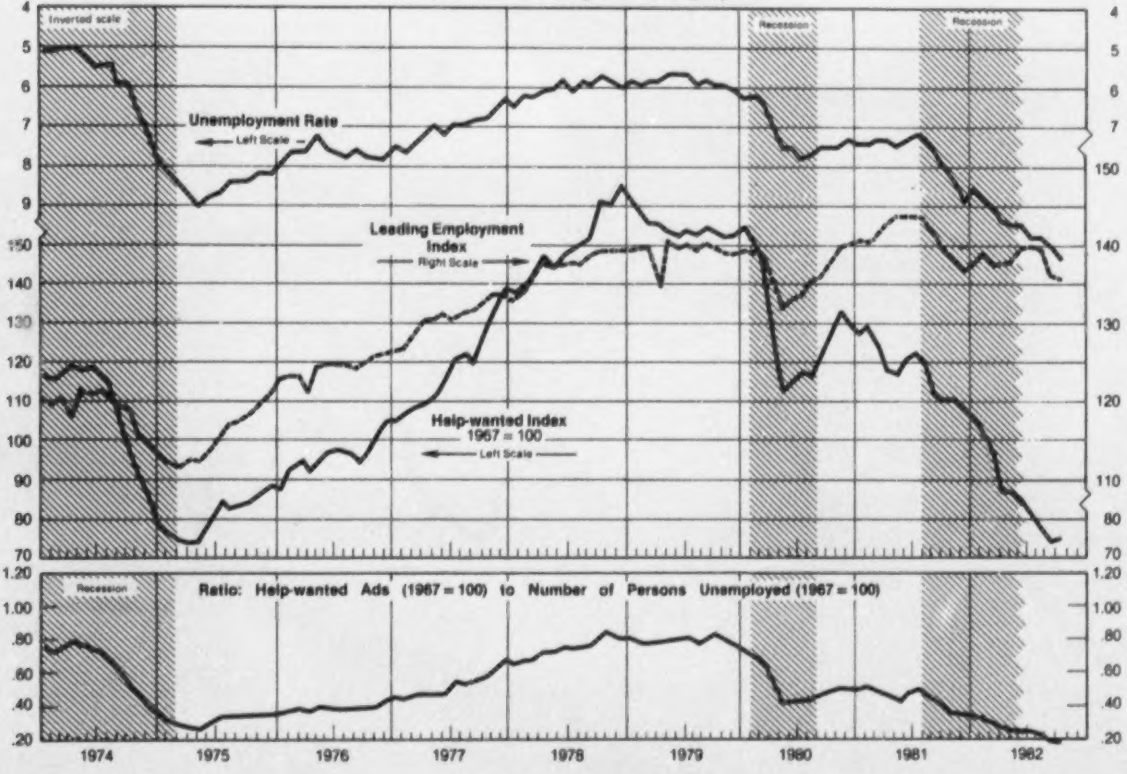
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1982			1981
	Sept.	Aug.	July	Sept.
Total index 51 papers	73	78	83	112
New England	73	81	86	97
Boston	79	90	96	103
Hartford	82	86	85	123
Providence	45	47	54	55
Middle Atlantic	42	45	46	57
Albany	70	72	73	75
Allentown	66	75	113	93
New York	41	41	41	56
Philadelphia	38	40	42	49
Pittsburgh	40	44	48	61
Rochester	45	50	55	60
Syracuse	61	66	70	70
East North Central	38	43	45	60
Chicago	38	41	44	61
Cincinnati	50	59	59	74
Cleveland	34	39	42	54
Columbus	60	66	70	87
Dayton	35	41	42	54
Detroit	26	30	32	45
Gary	85	81	98	101
Indianapolis	35	47	49	52
Milwaukee	29	31	37	55
Toledo	60	72	63	82
West North Central	40	42	46	64
Kansas City	58	54	65	84
Minneapolis	28	31	38	57
Omaha	70	82	74	90
St. Louis	n.a.	35	35	52
South Atlantic	77	83	88	106
Atlanta	120	126	138	156
Baltimore	56	66	64	70
Charlotte	65	69	76	97
Jacksonville	102	110	118	124
Miami	60	61	63	112
Richmond	47	50	54	60
Washington, D. C.	76	85	90	103
East South Central	70	75	85	98
Birmingham	74	80	90	110
Knoxville	125	132	143	172
Louisville	36	43	45	53
Memphis	65	70	70	92
Nashville	81	82	112	104
West South Central	180	196	214	304
Dallas	202	204	219	251
Houston	251	282	312	473
New Orleans	109	114	122	170
Oklahoma City	123	141	152	251
San Antonio	117	136	136	178
Tulsa	96	116	134	259
Mountain	132	145	153	222
Denver	102	104	118	182
Phoenix	162	175	182	256
Salt Lake City	149	181	180	253
Pacific	111	114	115	176
Los Angeles	88	94	91	153
Sacramento	184	192	197	261
San Bernardino	91	88	91	129
San Diego	205	203	221	304
San Francisco	113	115	118	179
Seattle	131	125	125	175
Percentage of papers with rising volume	12%	12%	35%	12%
Unemployment rate	10.1%	9.8%	9.8%	7.5%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
n.a.—not available r—revised

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1980	76.0	74.1	71.2	53.6	45.1	54.1	62.9	67.5	75.1	76.7	79.9	68.0
1981	70.0	63.5	71.8	75.0	79.9	79.6	78.6	78.6	70.4	67.4	61.6	59.4
1982	62.1	58.1	53.3	54.0	56.3	57.1	61.6	53.7	54.4r	49.2p		

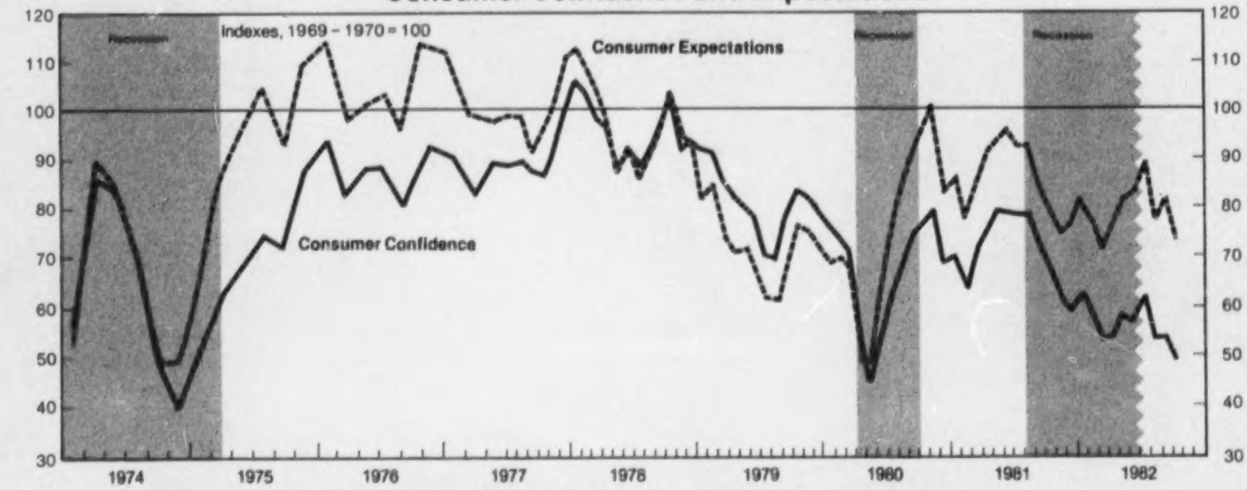
Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1980	97.3	107.6	115.7	84.5	78.1	94.3	92.9	86.6	99.2	91.8	94.2	89.2
1981	87.5	90.5	98.0	85.9	84.8	89.5	78.7	96.7	90.3	86.2	89.8	99.2
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3r	61.5p		

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

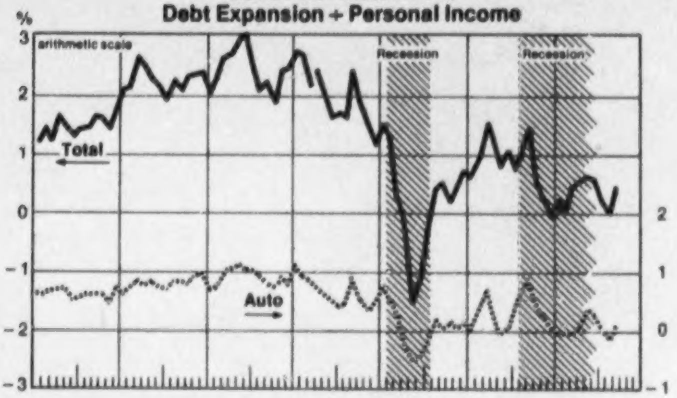
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	I	$1562.7	$547.6	$390.9	$156.7	71.4%	25.0%	14.6%	9.9%
	II	1660.0	609.4	412.0	197.4	67.6	24.8	16.4	10.0
	III	1688.5	602.6	421.7	180.9	70.0	25.0	15.3	9.2
	IV	1729.0	615.0	437.8	177.2	71.2	25.3	14.4	9.0
1979	I	1769.0	628.7	437.6	191.1	69.6	24.7	14.1	8.3
	II	1841.2	657.7	433.3	224.4	65.9	23.5	16.0	10.4
	III	1868.5	652.6	449.3	203.3	68.8	24.0	14.4	9.3
	IV	1905.8	643.4	466.4	177.1	72.5	24.5	13.1	9.0
1980	I	1990.4	683.1	482.0	201.1	70.6	24.2	14.3	10.5
	II	1935.0	591.5	451.4	140.1	76.3	23.3	12.0	11.9
	III	2055.7	665.1	468.6	196.5	70.5	22.8	14.5	11.5
	IV	2131.0	717.6	493.3	224.3	68.7	23.1	14.2	10.6
1981	I	2169.2	723.2	522.0	201.2	72.2	24.1	12.9	9.9
	II	2212.6	715.5	517.0	198.5	72.3	23.4	13.7	10.3
	III	2293.4	741.9	527.3	214.6	71.1	23.0	14.2	11.4
	IVr	2296.7	727.9	521.9	206.0	71.7	22.7	13.2	12.1
1982	Ip	2323.6	730.4	534.0	196.4	73.1	23.0	12.5	10.5

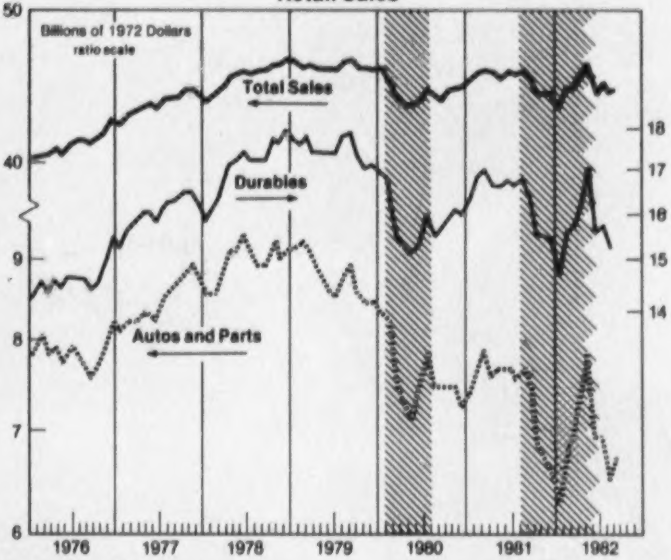
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



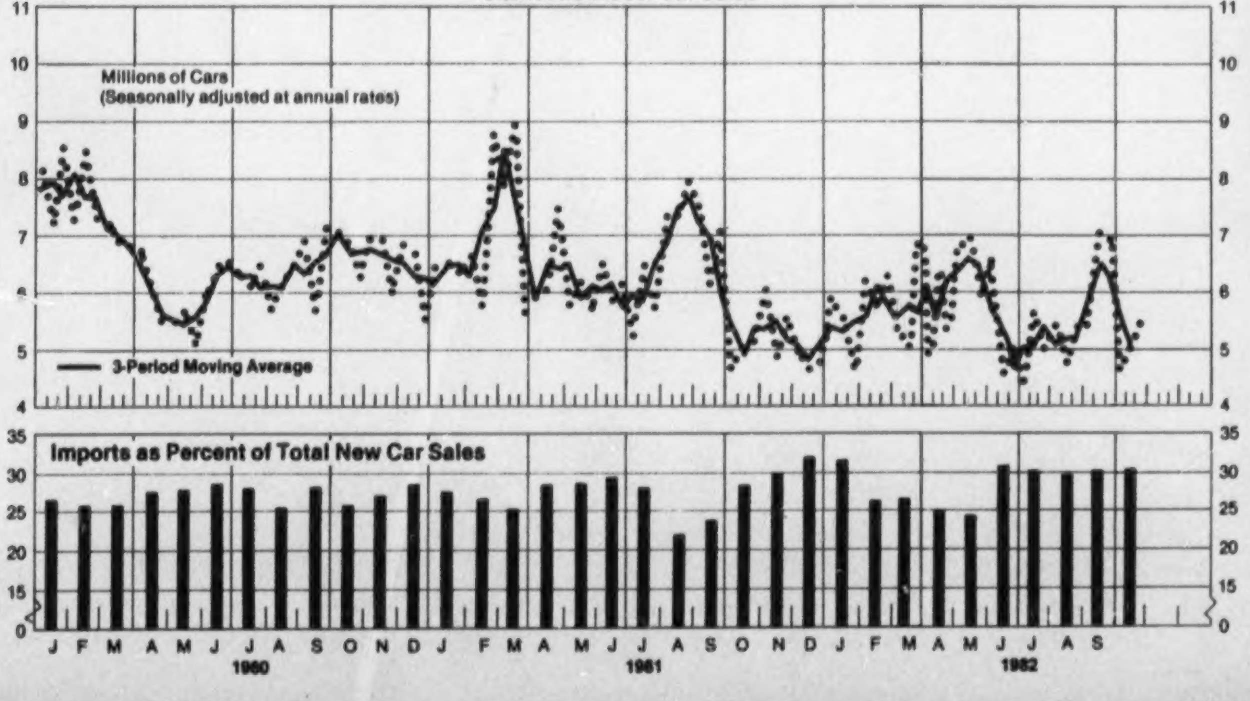
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1979	1980	1981	1982
January:	1-10	9.60	8.11	6.[illegible]8	5.87
	11-20	9.54	7.19	6.56	5.53
	21-31	9.25	8.58	6.33	4.70
February:	1-10	9.34	7.21	6.63	6.19
	11-20	9.26	8.46	5.79	5.75
	21-28(29)	8.94	7.24	8.80	6.33
March:	1-10	8.94	7.20	7.81	5.36
	11-20	9.43	6.88	8.93	5.04
	21-31	8.46	6.83	5.63	6.89
April:	1-10	9.44	6.73	5.94	4.91
	11-20	7.91	5.92	6.01	6.38
	21-30	8.60	5.45	7.52	5.36
May:	1-10	8.61	5.44	5.75	6.85
	11-20	7.54	5.69	6.20	6.98
	21-31	8.47	5.09	5.69	5.98
June:	1-10	7.12	5.94	6.51	6.52
	11-20	7.69	6.43	5.88	4.59
	21-30	6.92	6.50	6.15	5.00
July:	1-10	8.18	6.34	5.24	4.42
	11-20	7.86	6.11	6.48	5.62
	21-31	8.93	6.49	5.73	5.01
August:	1-10	8.17	5.65	7.37	5.40
	11-20	10.82	6.16	7.35	4.76
	21-31	8.62	6.46	7.97	5.37
September:	1-10	9.46	6.92	7.53	5.40
	11-20	9.36	5.61	6.14	7.01
	21-30	7.27	7.16	7.10	6.91
October:	1-10	6.23	7.06	4.65	4.69
	11-20	8.51	6.86	5.03	5.01
	21-31	7.98	6.26	5.14	5.45
November:	1-10	6.71	6.97	6.01	
	11-20	8.15	6.97	4.86	
	21-30	7.09	5.98	5.58	
December:	1-10	7.68	6.83	4.96	
	11-20	7.72	6.73	4.66	
	21-31	8.07	5.49	4.78	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.

Domestic-Model Car Sales



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STATISTICAL BULLETIN

Volume 15 No. 12, December, 1982

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The Conference Board

STATISTICAL REFERENCE INDEX
ACQUISITIONS
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BETHESDA, MD. 20814

COMMENT

Exactly one year ago, we said in this space that the consensus forecast was for a recovery to get under way in earnest by mid-1982. The current assessment is that a recovery of sorts will develop by the second quarter of 1983—a delay of not quite a full year. One is tempted to think that this waiting game is uncomfortably like waiting for Godot—who never does arrive.

Some things have changed, however, since a year ago and they lend credence to current expectations. Auto sales and housing starts were among the most depressed segments of the economy at this time a year ago—total car sales of only 7 1/2 million and not quite 900,000 housing starts in the fourth quarter of 1981 (data at annual rates). Total car sales are up to about 8 to 8 1/2 million units currently, and housing starts to about 1.1 million. Declines in car loan and mortgage interest rates have no doubt had a hand in the rising trend here. But perhaps the biggest difference between then and now is the change in inflation. The accompanying charts show not only that inflation has slowed very dramatically over the last year, but also that it is not likely to be any higher at the end of 1983 than it is now. Monetary policy in 1982 had been very restrictive in not allowing enough money growth to feed both inflation and real growth. Now, with inflation sharply lower, and prospects that it will stay down in the near term, policy has relaxed. The data on the *Money Supply and Monetary Targets* chart show that money growth has accelerated in the last few months. This is undoubtedly a key reason why the *Economic Forecasts* are suggesting that a gradual but sustained recovery is at hand, despite the persistence of very high real interest rates and painfully few signs of stepped-up consumer buying.

One month ago, we said that although the consumer was prepared for a steady drum beat of news about tightening in labor-market conditions, the actual news reports have been continuously worse than anticipated. That was before the early December announcement of a 10.8% unemployment rate for November. Prior to that announcement, consumer attitudes had steadied a bit. The Conference Board's *Consumer Confidence Index* stood at 53.7 (1969-1970 = 100) in August and 54.4 in September, then fell to 49.7 in October only to recover to 54.7 in November. It would be only natural if the unemployment news in November rocked consumer confidence once again, and, in so doing, held back any developing urge to spend.

Personal income, adjusted for inflation, fell in August and September and recovered only part of that drop in October. It probably did not change much in November and December. However, the saving rate probably fell a little in the fourth quarter, which implies that spending may have been a shade stronger than income. Retail sales, adjusted for inflation, were at exactly the same level in September and October as in July, but then increased almost 2% in November. That gain was almost certainly achieved without much buying on credit. In October, consumers actually repaid more installment debt than they took on. Given the low level of consumer confidence and worry over unemployment, consumers were more than likely too nervous to buy now and pay later.

The gain in consumer demand suggests that production, which has been sharply curtailed over the last year, may begin to turn around soon. Industrial production fell again in November and operating rates in manufacturing continue to set 30-year record lows. Business has been trying to cut costs wherever possible. Very substantial layoffs in the goods-producing sector, affecting both blue- and white-collar workers, have been the result. That, together with some decline in service-sector employment, has fueled the persistent rise in unemployment that so devastates consumer spirits.

The decline in employment has exceeded the drop in production. That development, together with the fact that the idled capacity is generally the least productive, results in higher productivity; see the *Key Determinants of Profit Margins* chart. After falling in four consecutive quarters, output per hour in the nonfinancial corporate sector rose 2.8% and 4.8% in the second and third quarters of 1982, respectively (seasonally adjusted at annual rates). Those gains, and very substantial wage moderation, have held down the increase in unit labor cost—a major factor in the slowing of inflation. And profitability, which had been falling ever since the fourth quarter of 1978, began to stabilize, albeit at a very depressed level, in the first three quarters of 1982.

Although profit per unit of output may no longer be falling, and the volume of units sold could begin to increase soon, the low level of profits means that internal funds for investment remain weak, and relatively high interest rates make the cost of external funds high. Finally, given the record low level of capacity utilization

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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25 McArthur Road
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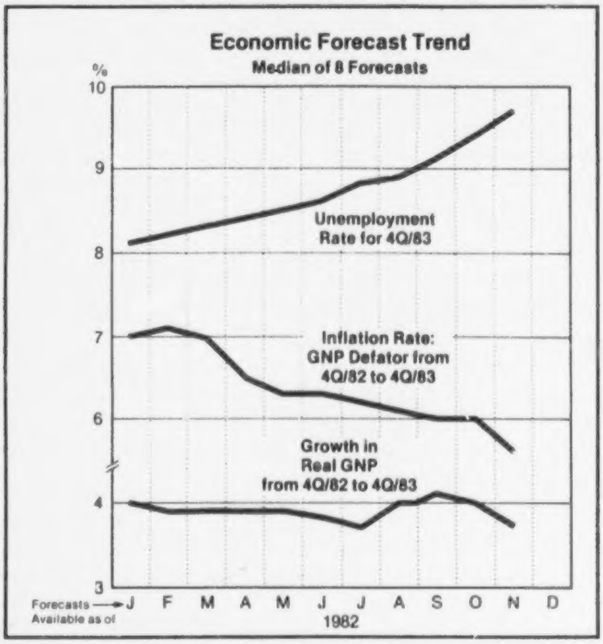
845 Third Avenue
New York, New York 10022

The Conference Board, Inc.
Avenue Louise, 207 Bte 5
B-1050 Brussels, Belgium



Economic Forecast Trend
Median of 8 Forecasts

and the outlook for only moderate increases in demand once the recovery begins, the need for investment is not very great at the moment. The Conference Board's third quarter *Capital Appropriations and Expenditures* survey shows no signs of any strength in investment now and prospects are that 1983 will be the third consecutive year of weak investment activity. The low level of appropriations in 1981 and 1982 suggests that spending by the nation's 1,000 largest manufacturers may be flat in 1983. Further, approval of new spending plans is expected to rise by only 5 or 6%, in real terms, in 1983 and that suggests that not much of a pickup in spending on plant and equipment can be anticipated in 1984.

Inventory/sales ratios were declining throughout the first half of 1982, but have begun to rise in the last few months. Sales may no longer be falling, but remain too low to sustain even the very depressed level of production. That is why inventory went up and production went down in November.

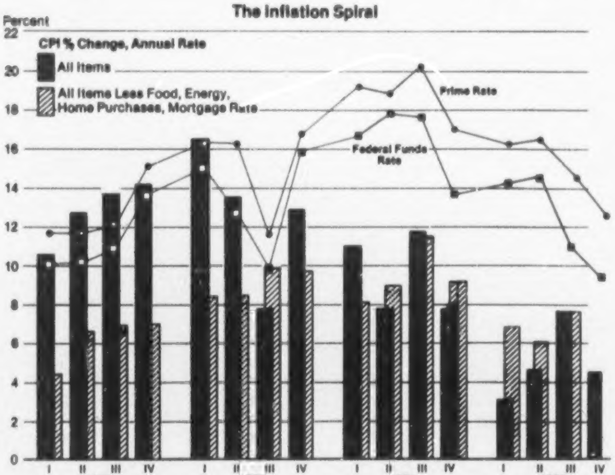
The October rise in the composite index of *Leading Economic Indicators* was the sixth increase in 7 months, for a cumulative rise of 5 percent. Improvement of that degree and duration suggests that there is gathering cyclical momentum in the system. The question is how long the lead time is before a cyclical recovery. The waiting game is growing tiresome. The current view of the *Economic Forecasts* is that real GNP, which grew not at all in the third quarter of 1982, probably did not in the fourth quarter either. It is anticipated to increase by between 1.5 and 3.3% in the first quarter of 1983, with a median of only 2.4% (seasonally adjusted at annual rates). However, the median forecast is for a 3.9% rise in real output in the second quarter. Thus, the start of the recovery, initially anticipated to be some time in the third quarter of 1982, has now been pushed back to some time in the second quarter of 1983. Real growth is expected to continue at about a 4 to 4 1/2% pace through the fourth quarter of 1984 (forecast horizon).

Two months ago, we said that the more pessimistic forecasts remained skeptical that the economy could expand very much in an environment of slow money growth and high interest rates. Since then, money growth has been allowed to speed up and interest rates have declined. The pessimistic forecast for real growth is that it will probably reach 3 1/2 to 4% in the recovery but not more than that.

The inflation rate, as measured by the implicit price deflator, slowed to 4.6 and 4.7% in the second and third quarters of 1982, respectively. And the *Economic Forecasts* indicate that it probably held to a 5.4% rate in the fourth quarter. The median of the forecasts goes on to indicate that inflation is not likely to speed up very much through the forecast horizon. The median indicates that it will remain at about its current rate through the third quarter of 1983, and that from then through the forecast horizon it will be in a range of roughly 6 to 6 1/2 percent. The most pessimistic forecast indicates that it will be about 7 1/2% by the end of 1983 and could go higher than that in 1984.

As grim as the 10.8% unemployment rate in November was, there is a chance that it may have been the peak for this recession. Initial claims for unemployment insurance and the total number receiving unemployment checks began to level off in early November. Further, The Conference Board's *Help-wanted Index* rose in October and early indications are that it may have moved up another three points in November. The median of the *Economic Forecasts* is that the unemployment rate will average 10.5% in the first quarter of 1983 and continue to improve to 9.8% by the fourth quarter of 1983 and 8.6% by the fourth quarter of 1984. Even the most pessimistic forecasts suggests that it will begin moving down in early 1983. However, that view says the pace of improvement will be very slow with the unemployment rate still as high as 9.6% by the end of 1984.

Ken Goldstein



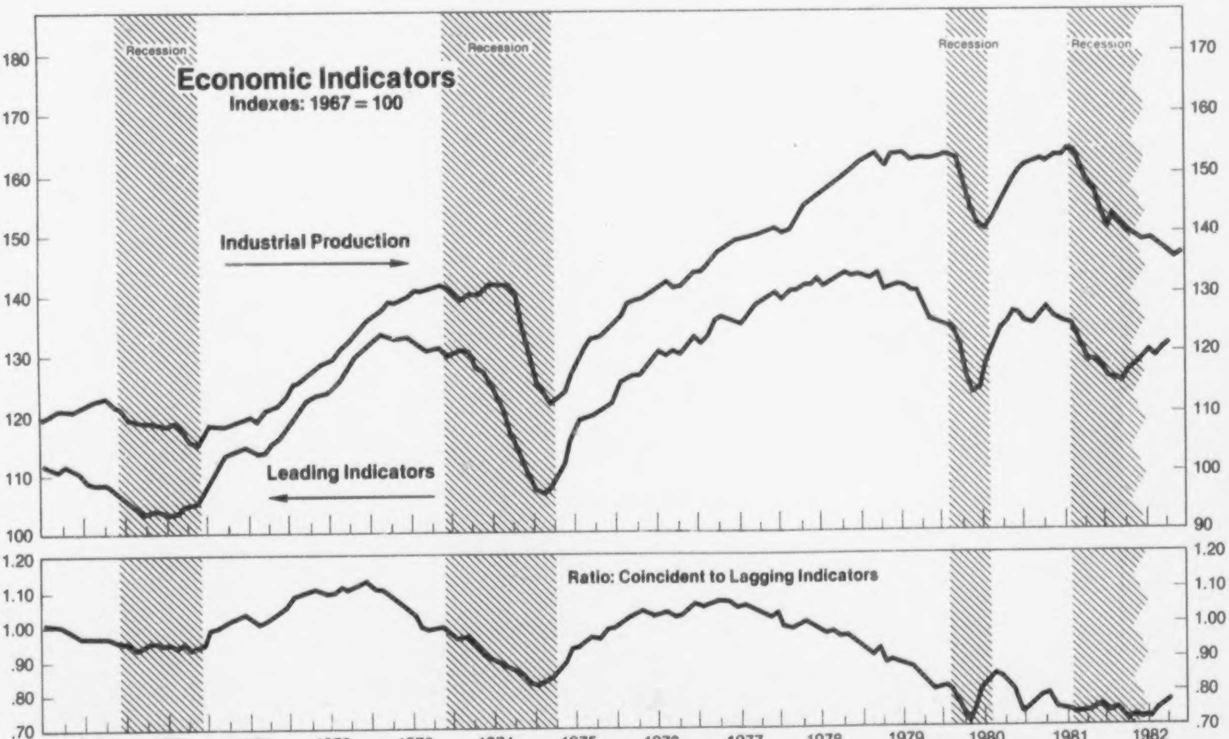
The Inflation Spiral

STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change from year-ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Oct.	X			+ 1.1%	+ 2.4%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Oct.	X			+10.8%	—11.9%
New orders, nondefense capital goods (deflated)	Oct.	X			+ 9.3%	— 9.4%
*Net business formation	Dec.			X	— 5.7%	—12.6%
*Housing permits	Oct.	X			+10.4%	+58.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Oct.			X	—11.7%	—11.8%
*Change in inventory, on hand & order (deflated)	Sept.	X			+ 8.9%	—14.0%
Purchasing agents' buying policy	Nov.			X	— 1 %	—15 %
*Vendor performance, reported slower deliveries	Oct.	X			+ 7 %	+ 6 %
Industrial raw materials prices	Nov.			X	— 2.1%	—14.6%
*Change in sensitive prices	Oct.		X		— 0.4%	+ 0.6%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Oct.		X		+ 1.4%	+ 4.7%
Change in business loans	Nov.			X	—24.4%	—32.9%
*Change in liquid assets	Oct.			X	— 0.1%	0 %
Change in consumer installment debt	Sept.			X	— 3.1%	—22.6%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q		X		+ 1.4%	—24.4%
*Common stock prices	Nov.	X			+28.3%	+14.4%
Marginal Employment Adjustments						
*Average workweek, mfg.	Nov.			X	— 0.1hr.	— 0.4hr.
*Initial unemployment claims (inverted)	Nov.			X	— 3.0%	—14.1%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



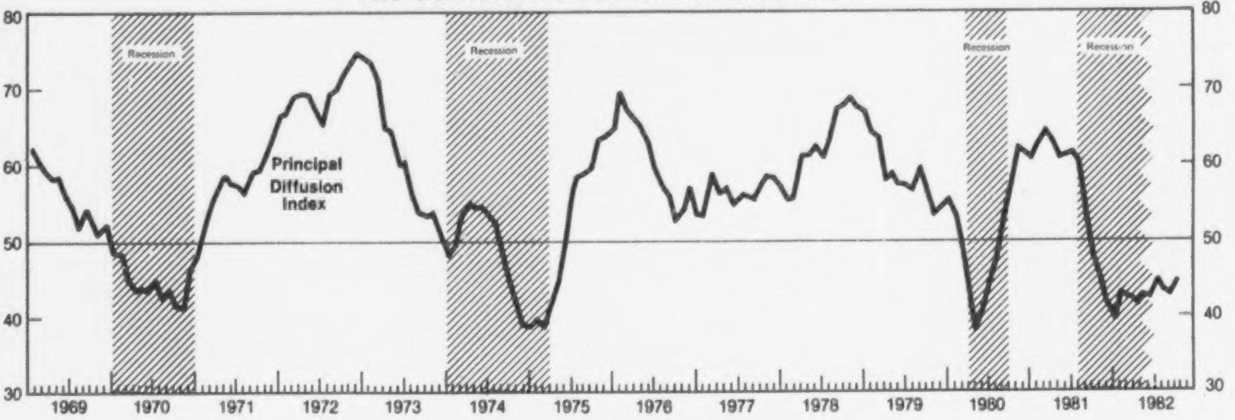
CONFERENCE BOARD DIFFUSION INDEXES

	1981	1982			
DIFFUSION INDEXES	Oct.	July	Aug.	Sept.	Oct.(e)
Principal Diffusion Index	44.3	44.3	43.2	42.8r	44.8
Auxiliary Diffusion Index	39.5	56.6	46.7	48.6r	56.5
Industrial Group	39.4	34.4	35.2	32.1r	35.8
Nonindustrial Group	49.2	54.2	51.3	53.5	53.8
Sense of Diffusion	−1	0	0	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	42.3	41.9	46.2	40.6r	40.2
Labor	35.5	24.9	23.2	19.9	27.3
Miscellaneous	44.9	46.8	48.7	50.0	50.6
Nonindustrial Subgroups					
Prices	35.3	42.9	36.5	38.5	39.7
Consumer	70.9	68.4	63.2	69.2r	69.7
Building	28.8	42.3	43.6	44.9r	49.4
Miscellaneous	50.4	55.3	54.3	53.6r	50.2

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1980			*1981*				*1982*			
	May	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*
	Score (scale 0-100)										
Measure of Business Confidence	29	49	63	58	61	57	43	47	52	55	60
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	16	28	59	50	57	48	26	23	30	38	44
2. Expectations for Economy, Six Months Ahead	31	60	67	63	64	63	51	59	64	65	70
3. Expectations for Own Industry, Six Months Ahead	40	60	63	61	61	60	52	58	61	61	65

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1981				1982			Percent Change From Previous Year		
	I	II	III	IV	I	IIr	IIIp	1981 Actual	1982 Estimated	1983 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	27.696	28.060	26.938	22.992	25.767	19.331	18.709	2	−21	22
Capital expenditures	24.057	24.580	26.217	26.174	26.924	25.734	24.521	15	2	0
Change in appropriations backlog*	+2.714	+2.736	+1.164	−4.602	−1.629	−8.289	−8.999			
Durable Goods										
New appropriations	9.705	11.488	11.549	9.532	8.446	7.308	7.568	−5	−27	13
Capital expenditures	10.323	10.405	11.079	10.965	11.161	10.663	9.676	4	−3	−1
Change in appropriations backlog*	−0.702	+0.757	+0.964	−1.953	−2.994	−4.165	−4.275			
Nondurable Goods										
New appropriations	17.991	16.572	15.389	13.460	17.321	12.023	11.141	7	−18	28
Capital expenditures	13.734	14.175	15.138	15.209	15.763	15.071	14.845	24	5	1
Change in appropriations backlog*	+3.416	+1.979	+0.200	−2.649	+1.365	−4.124	−4.724			
ELECTRIC & GAS UTILITIES										
New appropriations (r)	10.164	12.710	10.016	8.559	8.802	9.179				
Capital expenditures (r)	7.680	7.998	8.512	8.404	8.965	8.809				
Change in appropriations backlog* (r)	+1.728	+4.245	−6.994	−5.931	−5.773	−0.594				

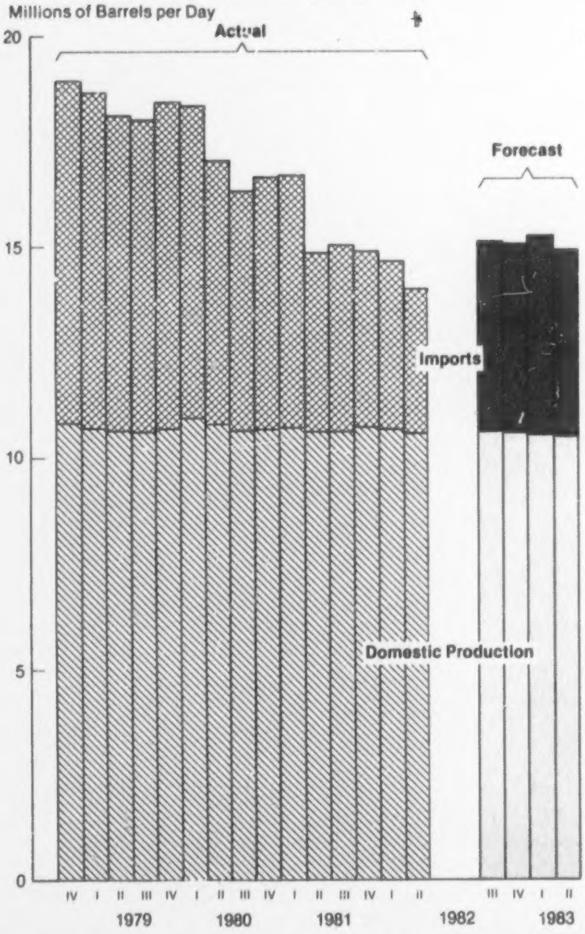
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

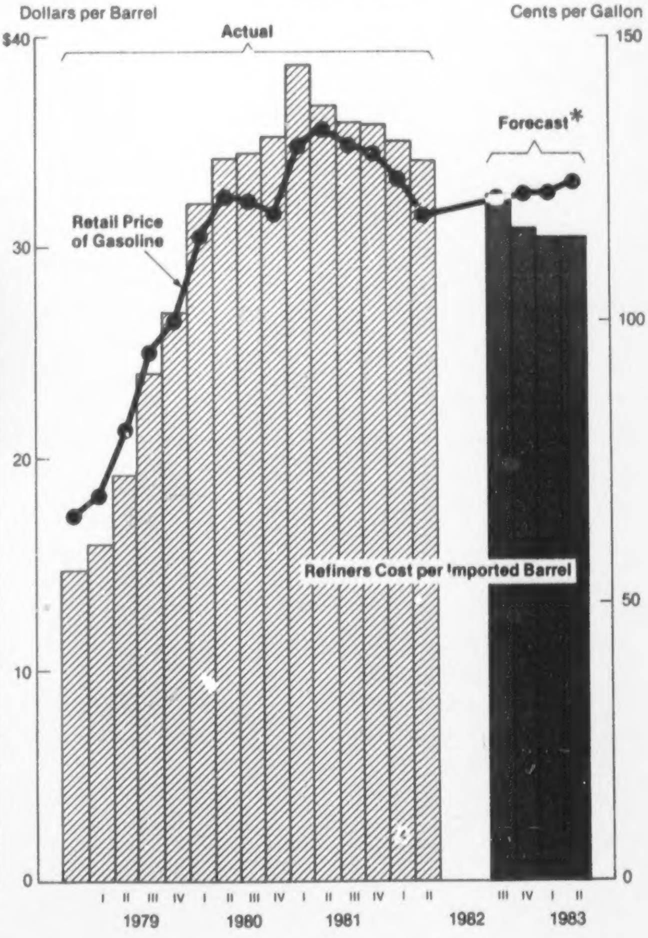
* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply

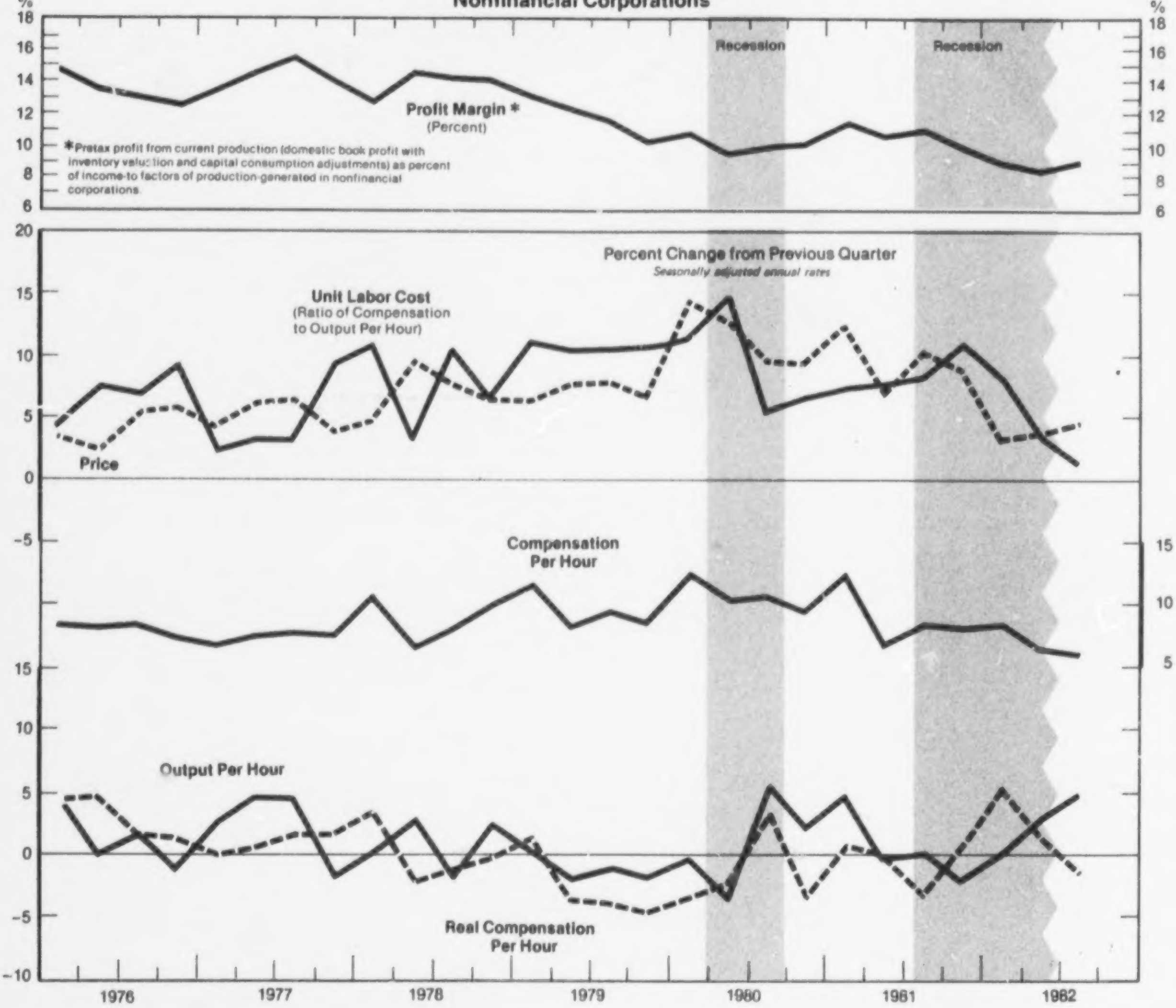


Oil Price



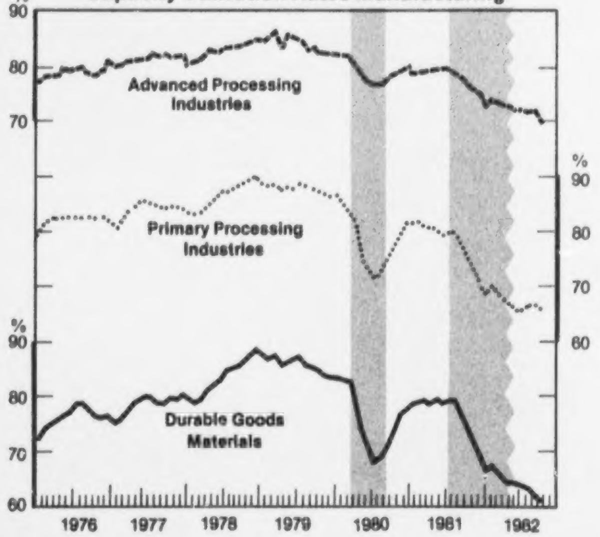
*Source of forecast is The Energy Information Administration, Department of Energy.

Key Determinants of Profit Margin,
Nonfinancial Corporations

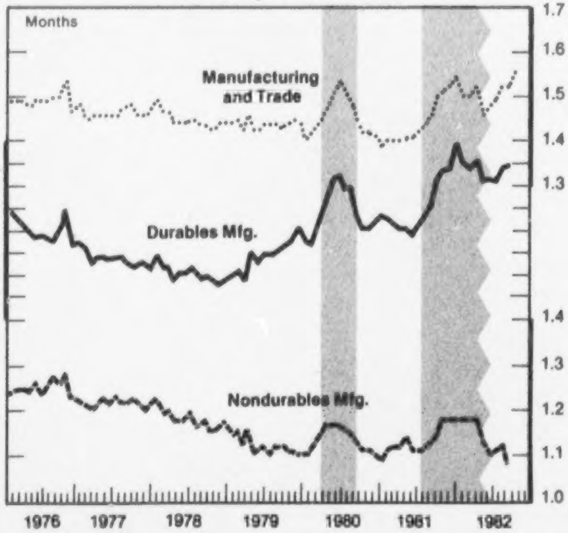


*Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income-to factors of production-generated in nonfinancial corporations.

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[1]		Merrill Lynch Economics Inc.[1]		Kent Economic Institute[1]		Georgia State University[1]	
Date of Forecast			*Nov., 1982*		*Nov., 1982*		*Nov., 1982*		*Nov., 1982*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1982**	**III**	**$3080.7**	**4.7%**	**$3080.7**	**4.7%**	**$3080.7**	**4.7%**	**$3080.7**	**4.7%**
Forecast		IV	3109.9	3,8	3132.5	6.9	3150.0	9.3	3114.6	4.5
	1983	I	3175.7	8.7	3197.6	8.6	3207.3	7.5	3161.5	6.2
		II	3243.3	8.8	3264.1	8.6	3299.0	11.9	3227.2	8.6
		III	3312.9	8.9	3343.8	10.1	3365.4	8.3	3305.4	10.1
		IV	3390.4	9.7	3442.4	12.3	3458.9	11.6	3381.2	9.5
	1984	I	3477.8	10.7	3537.2	11.5	3552.7	11.3	3462.3	9.9
		II	3560.8	9.9	3633.3	11.3	3677.7	14.8	3536.8	8.9
		III	3640.0	9.2			3779.1	11.5	3605.7	8.0
		IV	3712.3	8.2			3905.6	14.1	3687.6	9.4
	1982	Annual	3057.8	4.1	3063.5	4.3	3067.8	4.4	3059.0	4.1
	1983	Annual	3280.6	7.3	3312.0	8.1	3332.6	8.6	3368.8	6.9
	1984	Annual	3597.7	9.7			3728.8	11.9	3573.1	9.3
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1982**	**III**	**$1478.4**	**—.0%**	**$1478.4**	**—.0%**	**$1478.4**	**—.0%**	**$1478.4**	**—.0%**
Forecast		IV	1473.0	—1.5	$1478.8	0.1	1484.2	1.6	1476.2	—.6
	1983	I	1482.4	2.6	1490.8	3.3	1492.3	2.2	1481.7	1.5
		II	1497.7	4.2	1500.6	2.7	1509.7	4.7	1495.2	3.7
		III	1512.6	4.0	1515.0	3.9	1522.8	3.5	1511.8	4.5
		IV	1529.1	4.4	1535.7	5.6	1537.3	3.9	1525.9	3.8
	1984	I	1547.0	4.8	1556.8	5.6	1551.4	3.7	1543.2	4.6
		II	1564.5	4.6	1576.2	5.1	1568.3	4.4	1554.3	2.9
		III	1578.9	3.7			1583.2	3.9	1563.9	2.5
		IV	1591.5	3.2			1598.7	4.0	1575.9	3.1
	1982	Annual	1475.1	—1.8	1476.6	—1.7	1477.9	—1.6	1475.9	—1.8
	1983	Annual	1505.4	2.1	1510.5	2.3	1515.5	2.5	1503.6	1.9
	1984	Annual	1570.5	4.3			1575.4	4.0	1559.3	3.7
Gross National Product Deflator Index, 1972 = 100										
Actual	**1982**	**III**	**208.4**	**4.7%**	**208.4**	**4.7%**	**208.4**	**4.7%**	**208.4**	**4.7%**
Forecast		IV	211.1	5.4	211.8	6.8	212.2	7.6	211.0	5.1
	1983	I	214.2	6.0	214.5	5.1	214.9	5.2	213.4	4.6
		II	216.6	4.4	217.5	5.8	218.5	6.9	215.8	4.7
		III	219.0	4.6	220.7	6.0	221.0	4.6	218.6	5.3
		IV	221.7	5.0	224.2	6.4	225.0	7.4	221.6	5.5
	1984	I	224.8	5.7	227.2	5.6	229.0	7.3	224.4	5.1
		II	227.6	5.1	230.5	5.9	234.5	10.0	227.5	5.6
		III	230.5	5.3			238.7	7.4	230.6	5.4
		IV	233.3	4.8			244.3	9.7	234.0	6.0
	1982	Annual	207.3	6.0	207.5	6.1	207.6	6.2	207.3	6.0
	1983	Annual	217.9	5.1	219.3	5.7	219.9	5.9	217.4	4.9
	1984	Annual	229.1	5.1			236.7	7.6	229.1	5.4
Unemployment Rate										
Actual	**1982**	**III**	**9.9%**		**9.9%**		**9.9%**		**9.9%**	
Forecast		IV	10.6		10.8		10.5		10.7	
	1983	I	10.5		10.9		10.2		11.0	
		II	10.2		10.4		9.9		10.9	
		III	10.1		9.9		9.4		10.5	
		IV	9.8		9.6		9.2		10.2	
	1984	I	9.6		9.3		8.8		9.9	
		II	9.1		9.0		8.5		9.8	
		III	8.8				7.8		9.7	
		IV	8.6				7.7		9.6	
	1982	Annual	9.7		9.7		9.7		9.7	
	1983	Annual	10.1		10.2		9.7		10.6	
	1984	Annual	9.0				8.2		9.7	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised third quarter data.

ECONOMIC FORECASTS (continued)

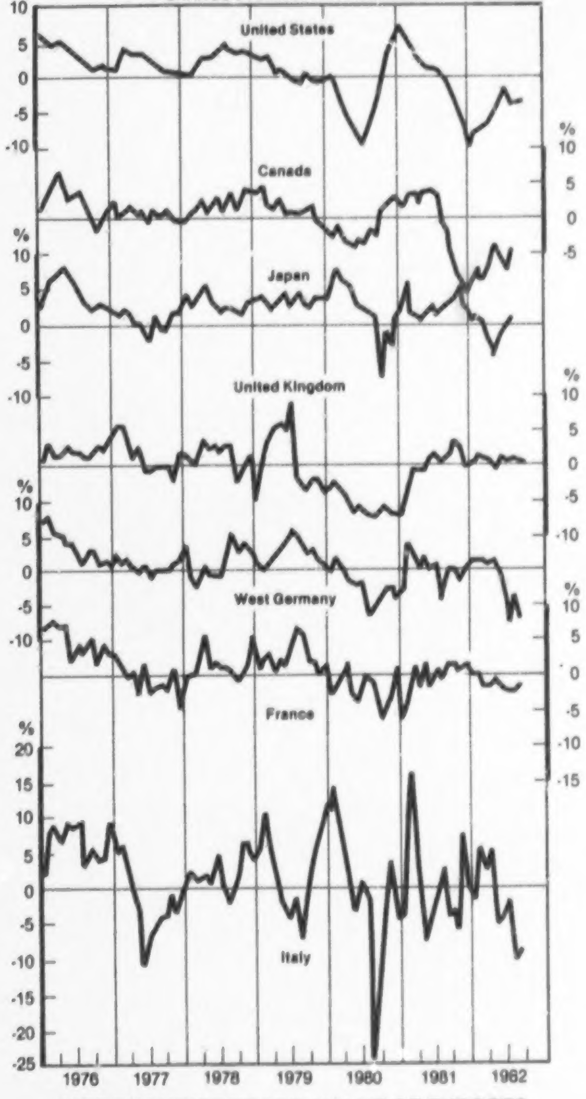
The Conference Board[1]		Chase Econometric Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Nov., 1982		*Nov., 1982*		*Nov., 1982*		*Nov., 1982*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3080.7	4.7%	$3080.7	4.7%	$3080.7	4.7%	$3080.7	4.7%	III	1982	Actual
3121.0	5.3	3126.9	6.1	3123.3	5.6	3131.7	6.8	IV		Forecast
3177.0	7.4	3188.1	8.1	3185.8	8.2	3193.8	8.2	I	1983	
3249.0	9.4	3256.2	8.8	3249.4	8.2	3275.1	10.6	II		
3344.0	12.2	3339.9	10.7	3322.6	9.3	3363.0	11.2	III		
3433.0	11.1	3424.7	10.5	3403.3	10.1	3459.4	12.0	IV		
3518.0	10.3	3516.7	11.2	3486.0	10.1	3552.8	11.2	I	1984	
3592.0	8.9	3603.8	10.3	3580.8	11.3	3655.1	12.0	II		
3681.0	10.3	3703.5	11.5	3677.5	11.2	3752.6	11.1	III		
3777.0	10.8	3814.5	12.5	3777.3	11.3	3856.1	11.5	IV		
3060.6	4.2	3062.1	4.2	3061.2	4.2	3063.3	4.3	Annual	1982	
3300.7	7.8	3302.2	7.8	3290.3	7.5	3322.8	8.5	Annual	1983	
3642.0	10.3	3659.6	10.8	3630.4	10.3	3704.1	11.5	Annual	1984	
								Gross National Product Billions of Constant (1972) Dollars		
$1478.4	—.0%	$1478.4	—.0%	$1478.4	—.0%	$1478.4	—.0%	III	1982	Actual
1479.2	0.2	1482.4	1.1	1479.1	0.2	1480.7	0.6	IV		Forecast
1487.5	2.3	1493.1	2.9	1487.7	2.3	1491.0	2.8	I	1983	
1502.9	4.2	1505.1	3.3	1500.6	3.5	1506.8	4.3	II		
1526.5	6.4	1521.3	4.4	1516.4	4.3	1526.8	5.4	III		
1544.5	4.8	1534.9	3.6	1532.2	4.2	1546.4	5.2	IV		
1562.0	4.6	1551.4	4.4	1546.5	3.8	1566.6	5.3	I	1984	
1571.9	2.6	1565.4	3.7	1566.4	5.2	1588.5	5.7	II		
1586.4	3.7	1581.3	4.1	1585.8	5.0	1606.9	4.7	III		
1603.1	4.3	1597.6	4.2	1603.5	4.5	1624.6	4.5	IV		
1476.7	—1.7	1477.5	—1.7	1476.6	—1.7	1477.0	—1.7	Annual	1982	
1515.3	2.6	1513.6	2.4	1509.2	2.2	1517.7	2.8	Annual	1983	
1580.8	4.3	1573.9	4.0	1575.5	4.4	1596.6	5.2	Annual	1984	
								Gross National Product Deflator Index, 1972 = 100		
208.4	4.7%	208.4	4.7%	208.4	4.7%	208.4	4.7%	III	1982	Actual
211.0	5.1	210.9	5.0	211.2	5.4	211.5	6.1	IV		Forecast
213.6	5.0	213.5	5.0	214.1	5.8	214.2	5.2	I	1983	
216.2	5.0	216.3	5.4	216.5	4.6	217.4	6.0	II		
219.1	5.4	219.5	6.0	219.1	4.8	220.3	5.5	III		
222.3	6.0	223.1	6.7	222.1	5.8	223.7	6.4	IV		
225.2	5.4	226.7	6.5	225.4	6.1	226.8	5.6	I	1984	
228.5	6.0	230.2	6.4	228.6	5.8	230.1	6.0	II		
232.0	6.3	234.2	7.1	231.9	5.9	233.5	6.1	III		
235.6	6.3	238.8	8.0	235.6	6.5	237.4	6.7	IV		
207.3	6.0	207.3	6.0	207.3	6.0	207.4	6.1	Annual	1982	
217.8	5.1	218.2	5.3	218.0	5.2	218.9	5.6	Annual	1983	
230.4	5.8	232.5	6.6	230.4	5.7	232.0	6.0	Annual	1984	
								Unemployment Rate		
9.9%		9.9%		9.9%		9.9%		III	1982	Actual
10.5		10.5		10.5		10.6		IV		Forecast
10.5		10.5		10.4		10.6		I	1983	
10.2		10.3		10.1		10.4		II		
9.7		10.0		10.0		10.2		III		
9.4		9.8		9.7		10.0		IV		
9.2		9.6		9.5		9.8		I	1984	
9.0		9.3		9.1		9.4		II		
8.8		9.0		8.8		8.9		III		
8.6		8.8		8.4		8.5		IV		
9.7		9.7		9.7		9.7		Annual	1982	
10.0		10.1		10.0		10.3		Annual	1983	
8.9		9.2		8.9		9.1		Annual	1984	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

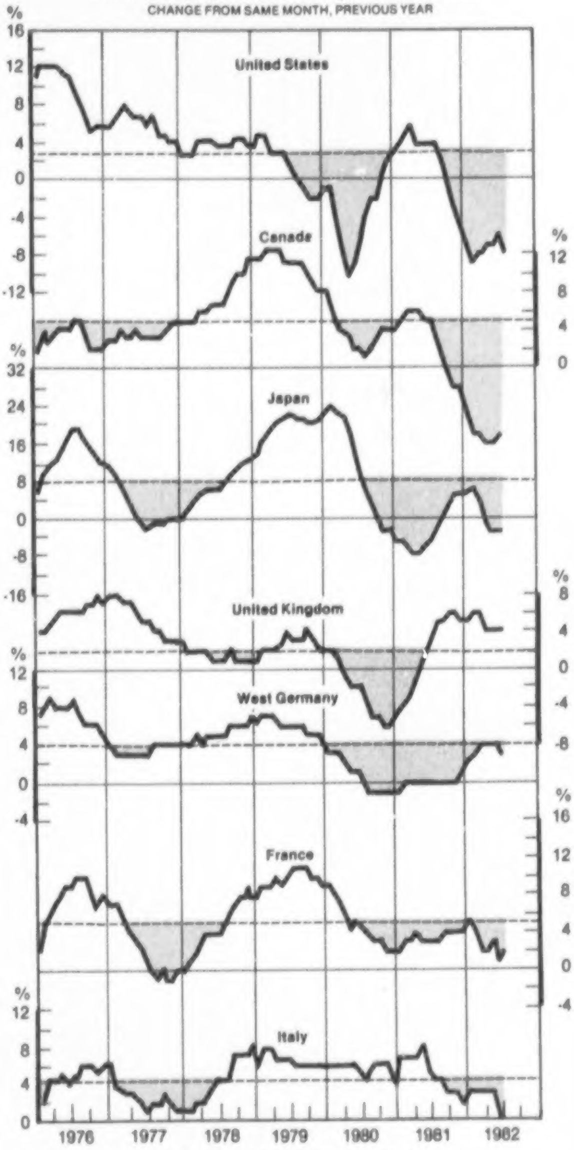
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



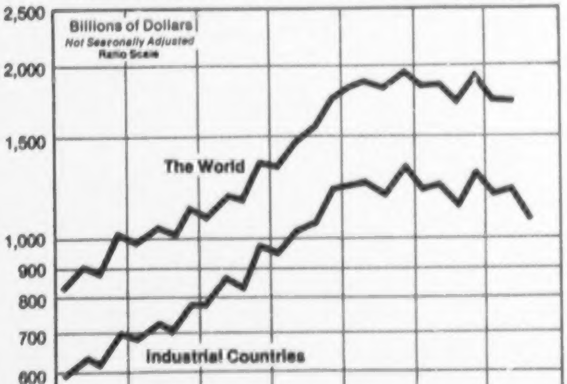
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM SAME MONTH, PREVIOUS YEAR

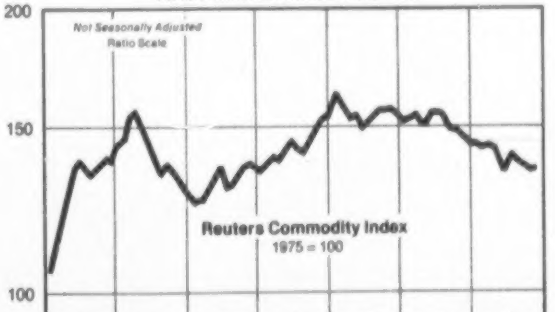


Source: Center for International Business Cycle Research, Rutgers University

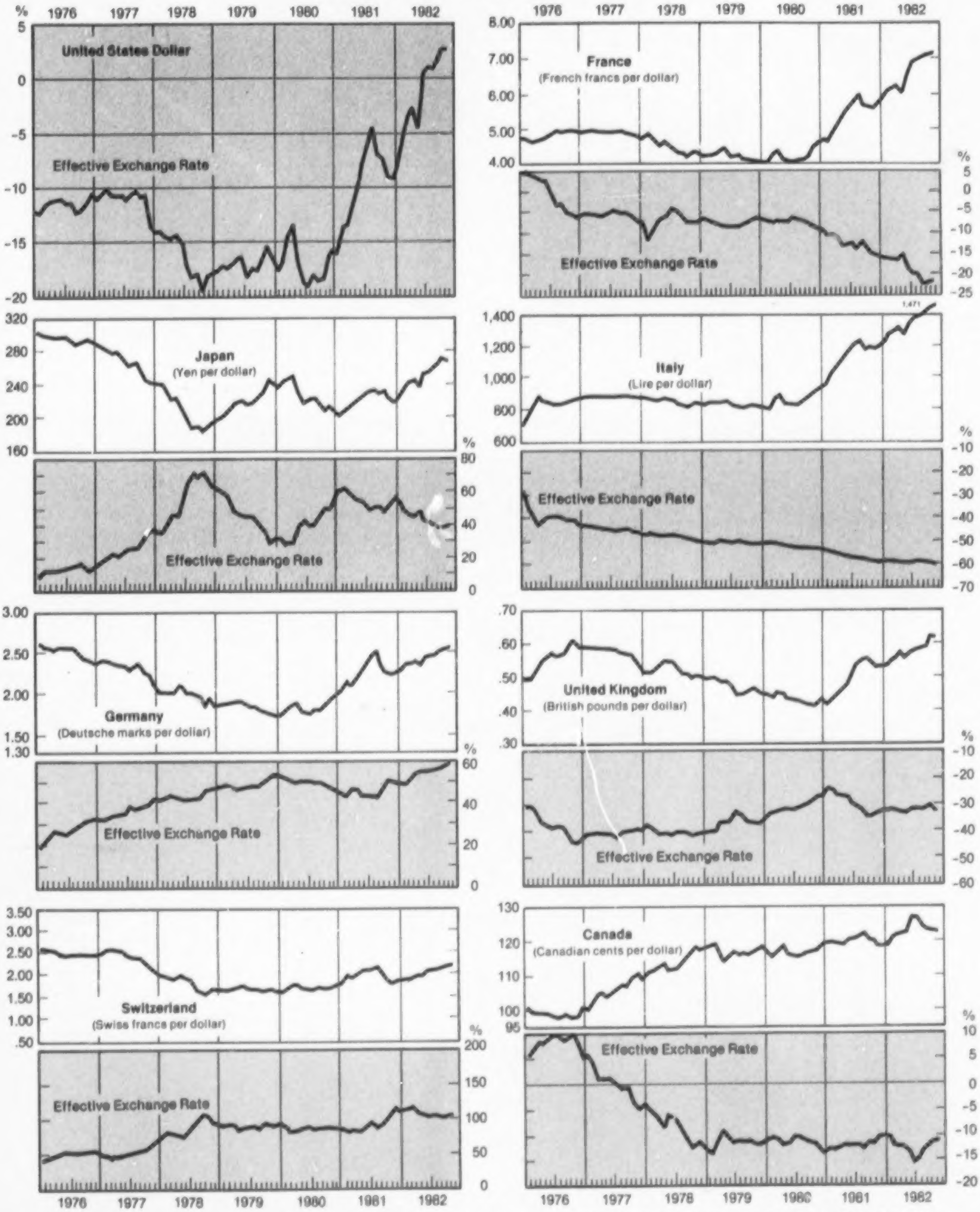
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-à-vis a group of 15 major currencies, weighted according to the average bilateral manufactures trade of 1976. Changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

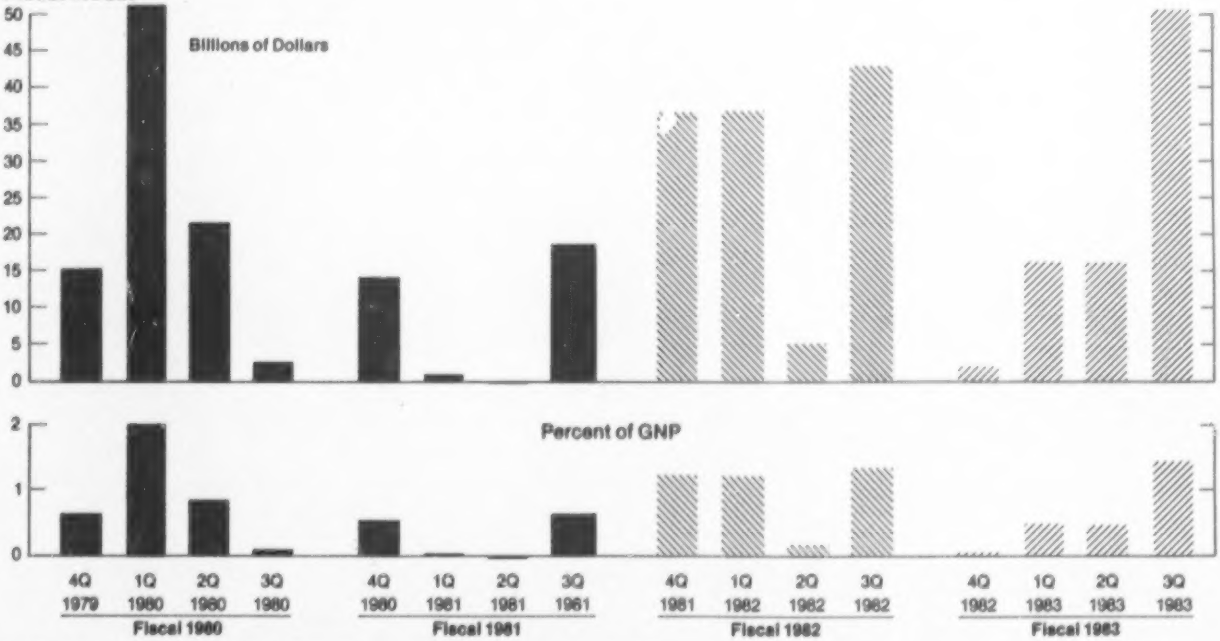
Source: Morgan Guaranty Trust

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1982	Fiscal 1983			Fiscal 1984	
	Actual	*Current Services*	*President's Proposal*	*Congressional Estimate*	*President's Proposal*	*Congressional Estimate*
	(10/26/82)	*(2/8/82)*	*(2/8/82)*	*(9/1/82)*	*(2/8/82)*	*(9/1/82)*
Receipts	**$617.8**	**$653.3**	**$666.1**	**$633.0**	**$723.0**	**$692.0**
Outlays	**728.4**	**779.3**	**757.6**	**788.0**	**805.9**	**844.0**
Deficit	**−110.6**	**−126.0**	**−91.5**	**−155.0**	**−82.9**	**−152.0**
Receipts by source	**617.8**	**653.3**	**666.1**	**633.0**	**723.0**	**692.0**
Individual income taxes	298.1	301.0	304.5	298.0	322.9	316.0
Corporate income taxes	49.2	56.2	65.3	47.0	83.7	63.0
Social insurance	201.1	223.6	222.5	217.0	242.5	240.0
Other receipts	69.4	72.5	73.8	71.0	73.9	73.0
Outlays by function	**728.4**	**779.3**	**757.6**	**788.0**	**805.9**	**844.0**
Income security	248.8	271.5	261.7	270.0	274.8	285.0
National defense	187.4	202.3	221.1	216.0	253.0	245.0
Health	74.0	82.5	76.1	79.0	84.9	87.0
Veterans' benefits	24.0	24.9	24.4	24.0	25.6	25.0
Education and manpower	25.4	26.7	21.6	27.0	19.3	27.0
Transportation	20.6	20.9	19.6	20.0	18.4	20.0
International affairs	10.0	11.7	12.0	12.0	12.3	12.0
Natural resources and environment	13.1	10.7	9.9	11.0	8.4	10.0
Agriculture	14.8	4.5	4.5	15.0	5.1	10.0
General science	7.1	7.6	7.6	8.0	7.8	8.0
Community development	7.4	7.3	7.3	8.0	6.7	8.0
Revenue sharing	6.2	6.6	6.7	6.0	6.8	7.0
General government	4.8	4.8	5.0	5.0	5.2	5.0
Justice	4.6	4.8	4.6	5.0	4.6	4.0
Energy	4.8	5.5	4.2	5.0	3.8	3.0
Commerce and housing credit	3.8	3.6	1.6	2.0	1.3	3.0
Interest	100.8	115.1	112.5	115.0	116.2	132.0
Allowances	—	1.5	−1.3	−3.0	−0.2	−2.0
Undistributed offsetting receipts	−29.3	−33.4	−43.5	−36.0	−48.2	−43.0

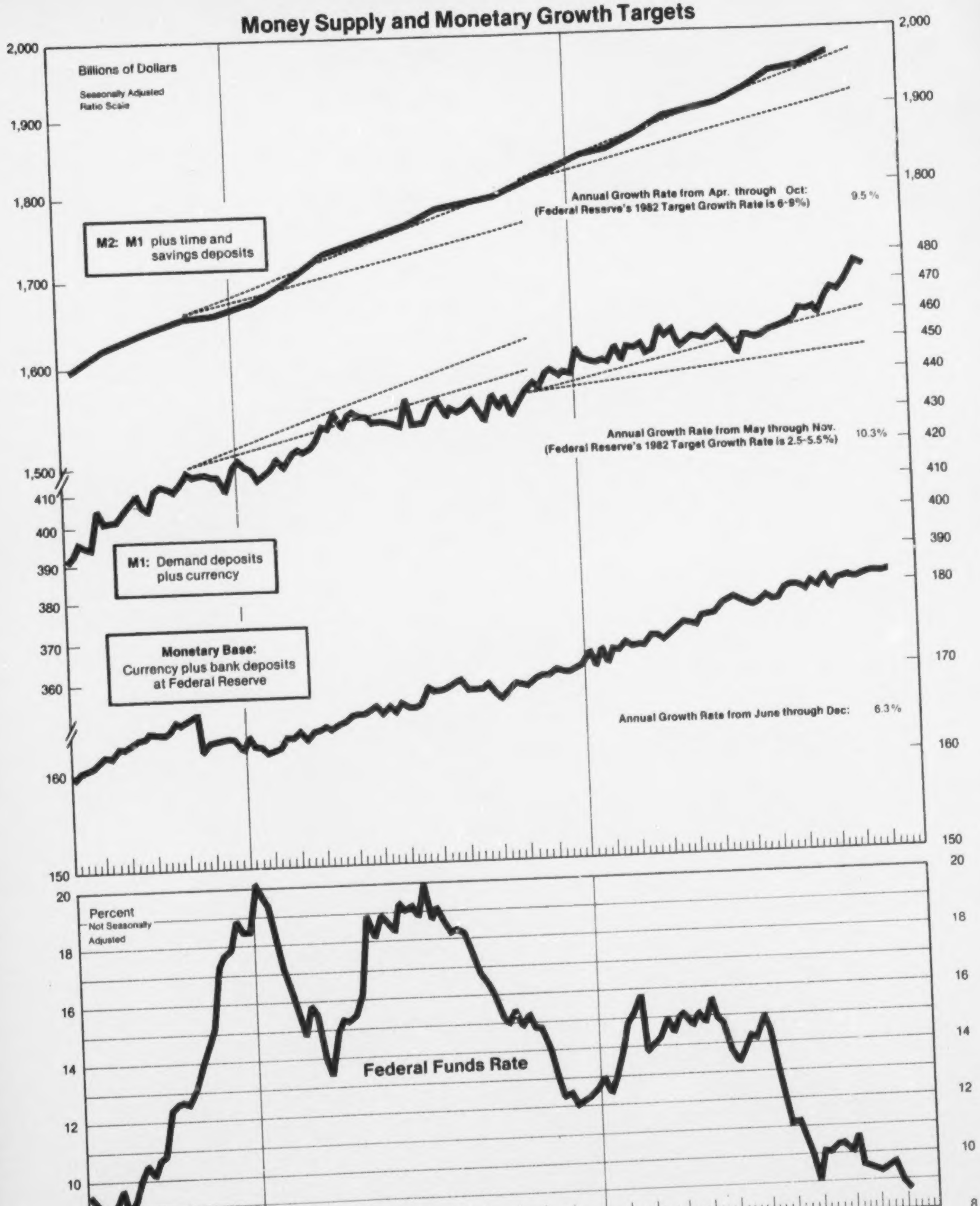
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York: 1980

Money Supply and Monetary Growth Targets



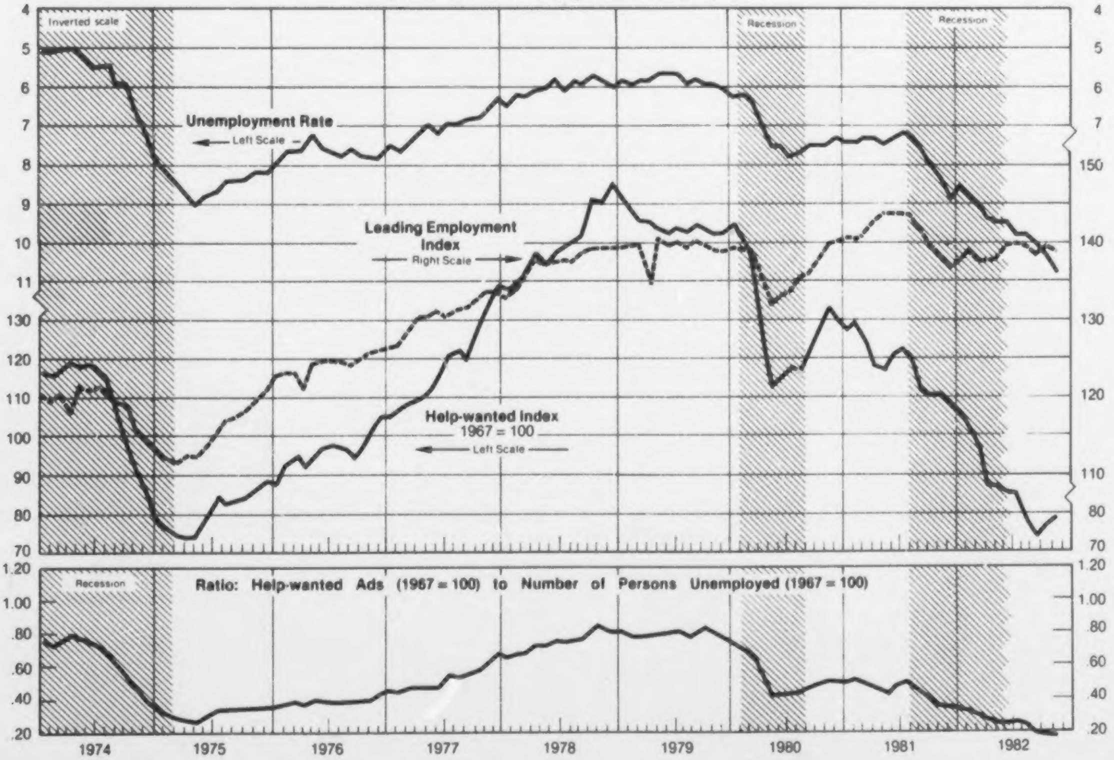
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1982			1981
	Oct..	Sept.	Aug.	Oct.
Total Index 51 papers	76	73	78	110
New England	77	73	81	97
Boston	85	79	90	103
Hartford	81	82	86	116
Providence	47	45	47	60
Middle Atlantic	42	42	45	55
Albany	67	70	72	76
Allentown	84	66	75	108
New York	39	41	41	50
Philadelphia	36	36	40	48
Pittsburgh	42	40	44	60
Rochester	49	45	50	63
Syracuse	64	61	66	70
East North Central	42	38	43	59
Chicago	41	38	41	61
Cincinnati	52	50	59	73
Cleveland	35	34	39	52
Columbus	66	60	66	87
Dayton	43	35	41	50
Detroit	29	26	30	42
Gary	87	85	81	108
Indianapolis	49	35	47	65
Milwaukee	31	29	31	46
Toledo	61	60	72	81
West North Central	41	39r	42	57
Kansas City	57	58	54	77
Minneapolis	30	28	31	52
Omaha	72	70	82	86
St. Louis	35	32r	35	43
South Atlantic	84	77	83	106
Atlanta	134	120	126	172
Baltimore	60	56	66	64
Charlotte	72	65	69	99
Jacksonville	87	102	110	124
Miami	60	60	61	107
Richmond	52	47	50	60
Washington, D. C.	88	76	85	103
East South Central	76	70	75	101
Birmingham	75	74	80	112
Knoxville	123	125	132	168
Louisville	44	36	43	54
Memphis	66	65	70	85
Nashville	101	81	82	126
West South Central	181	180	196	306
Dallas	214	202	204	266
Houston	245	251	282	480
New Orleans	106	109	114	164
Oklahoma City	122	123	141	232
San Antonio	124	117	136	182
Tulsa	98	96	116	231
Mountain	141	132	145	229
Denver	105	102	104	210
Phoenix	180	162	175	255
Salt Lake City	156	149	181	229
Pacific	114	111	114	170
Los Angeles	90	88	94	143
Sacramento	184	184	192	252
San Bernardino	100	91	88	144
San Diego	217	205	203	308
San Francisco	116	113	115	177
Seattle	130	131	125	157
Percentage of papers with rising volume	75%	10%	12%	33%
Unemployment rate	10.4%	10.1%	9.8%	8.0%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
n.a.—not available r—revised

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1980	76.0	74.1	71.2	53.6	45.1	54.1	62.9	67.5	75.1	76.7	79.9	68.0
1981	70.0	63.5	71.8	75.0	79.9	79.6	78.6	78.6	70.4	67.4	61.6	59.4
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7r	54.7p	

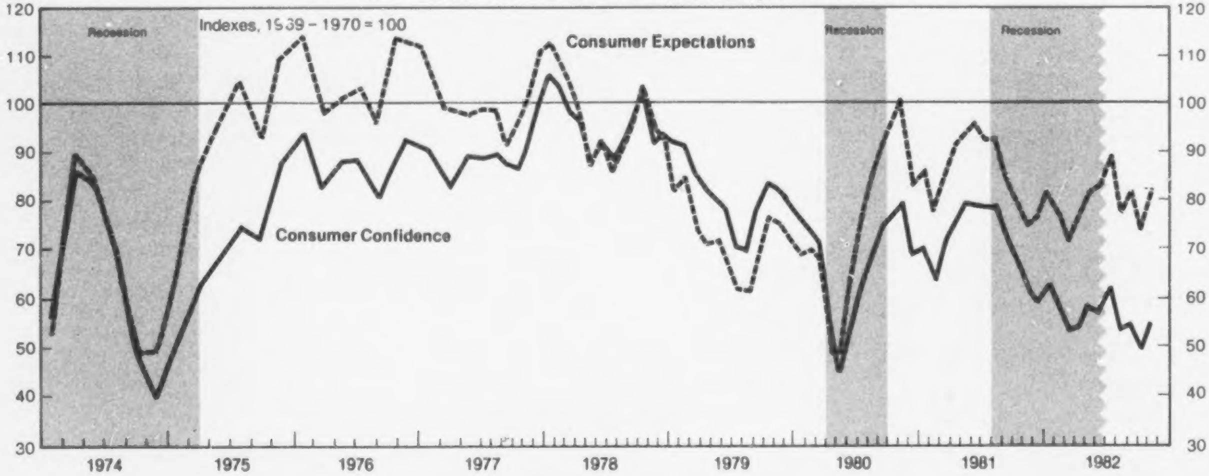
Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1980	97.3	107.6	115.7	84.5	78.1	94.3	92.9	86.6	99.2	91.8	94.2	89.2
1981	87.5	90.5	98.0	85.9	84.8	89.5	78.7	96.7	90.3	86.2	89.8	99.2
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7r	79.4p	

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

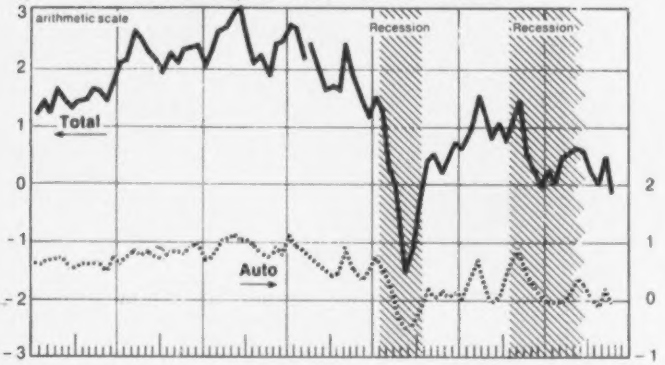
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	I	$1562.7	$547.6	$390.9	$156.7	71.4%	25.0%	14.6%	9.9%
	II	1660.0	609.4	412.0	197.4	67.6	24.8	16.4	10.0
	III	1688.5	602.6	421.7	180.9	70.0	25.0	15.3	9.2
	IV	1729.0	615.0	437.8	177.2	71.2	25.3	14.4	9.0
1979	I	1769.0	628.7	437.6	191.1	69.6	24.7	14.1	8.3
	II	1841.2	657.7	433.3	224.4	65.9	23.5	16.0	10.4
	III	1868.5	652.6	449.3	203.3	68.8	24.0	14.4	9.3
	IV	1905.8	643.4	466.4	177.1	72.5	24.5	13.1	9.0
1980	I	1990.4	683.1	482.0	201.1	70.6	24.2	14.3	10.5
	II	1935.0	591.5	451.4	140.1	76.3	23.3	12.0	11.9
	III	2055.7	665.1	468.6	196.5	70.5	22.8	14.5	11.5
	IV	2131.0	717.6	493.3	224.3	68.7	23.1	14.2	10.6
1981	I	2169.2	723.2	522.0	201.2	72.2	24.1	12.9	9.9
	II	2212.6	715.5	517.0	198.5	72.3	23.4	13.7	10.3
	III	2293.4	741.9	527.3	214.6	71.1	23.0	14.2	11.4
	IVr	2296.7	727.9	521.9	206.0	71.7	22.7	13.2	12.1
1982	Ip	2323.6	730.4	534.0	196.4	73.1	23.0	12.5	10.5

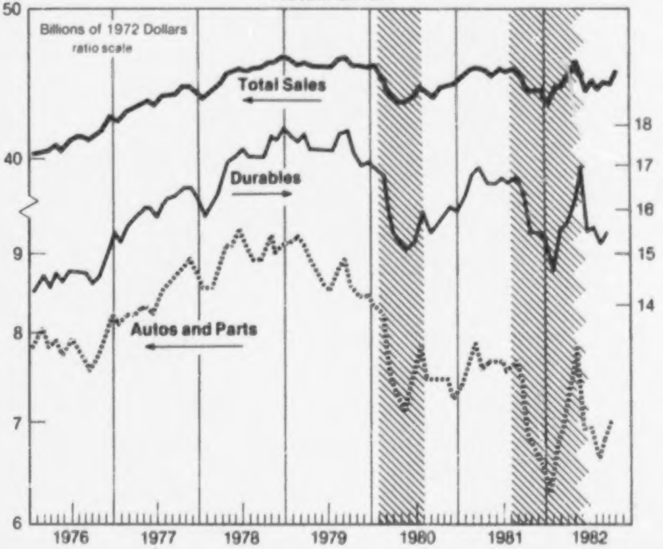
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin.*

P—Preliminary R—Revised

Consumer Installment
Debt Expansion ÷ Personal Income



Retail Sales



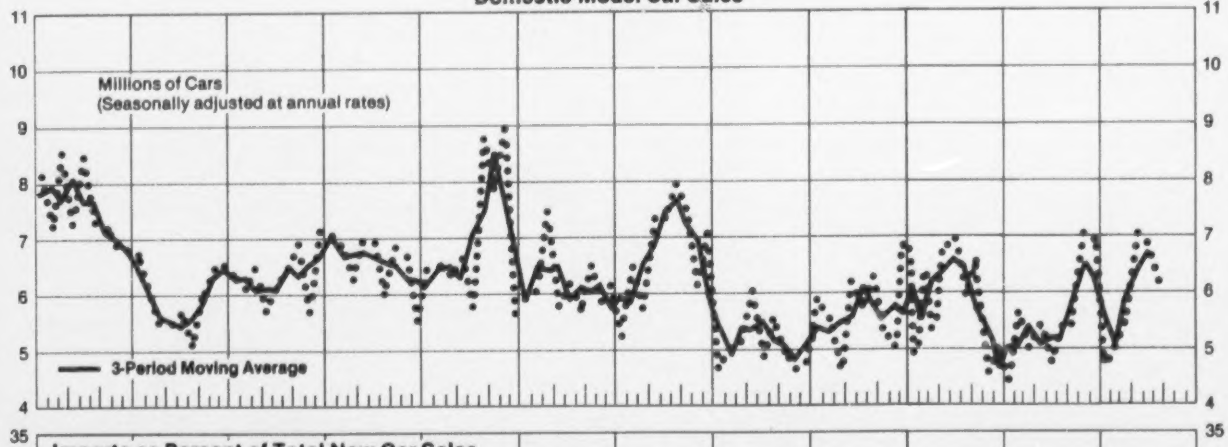
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

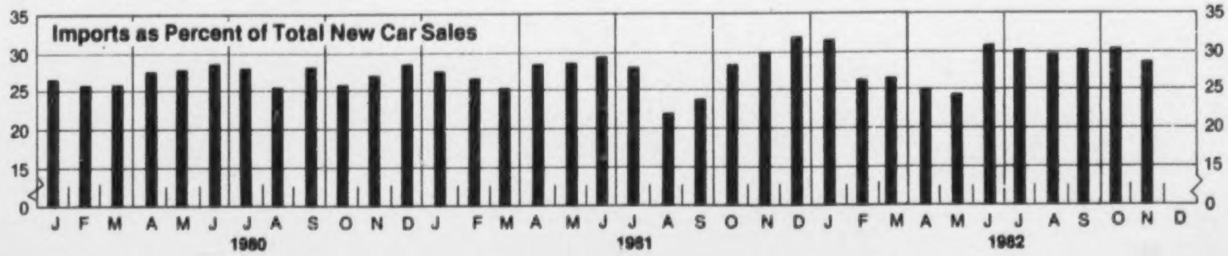
Millions, Seasonally Adjusted at Annual Rate

Periods		1979	1980	1981	1982
January:	1-10	9.60	8.11	6.48	5.87
	11-20	9.54	7.19	6.56	5.53
	21-31	9.25	8.58	6.33	4.70
February:	1-10	9.34	7.21	6.63	6.19
	11-20	9.26	8.46	5.79	5.75
	21-28(29)	8.94	7.24	8.80	6.33
March:	1-10	8.94	7.20	7.81	5.36
	11-20	9.43	6.88	8.93	5.04
	21-31	8.46	6.83	5.63	6.89
April:	1-10	9.44	6.73	5.94	4.91
	11-20	7.91	5.92	6.01	6.38
	21-30	8.60	5.45	7.52	5.36
May:	1-10	8.61	5.44	5.75	6.85
	11-20	7.54	5.69	6.20	6.98
	21-31	8.47	5.09	5.69	5.98
June:	1-10	7.12	5.94	6.51	6.52
	11-20	7.69	6.43	5.88	4.59
	21-30	6.92	6.50	6.15	5.00
July:	1-10	8.18	6.34	5.24	4.42
	11-20	7.86	6.11	6.48	5.62
	21-31	8.93	6.49	5.73	5.01
August:	1-10	8.17	5.65	7.37	5.40
	11-20	10.82	6.16	7.35	4.76
	21-31	8.62	6.46	7.97	5.37
September:	1-10	9.46	6.92	7.53	5.40
	11-20	9.38	5.61	6.14	7.01
	21-30	7.27	7.16	7.10	6.92
October:	1-10	6.23	7.06	4.65	4.74
	11-20	8.51	6.86	5.03	5.01
	21-31	7.98	6.26	5.14	5.49
November:	1-10	6.71	6.97	6.01	7.05
	11-20	8.15	6.97	4.86	6.84
	21-30	7.09	5.98	5.58	6.21
December:	1-10	7.68	6.83	4.96	
	11-20	7.72	6.73	4.66	
	21-31	8.07	5.49	4.78	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board.

Domestic-Model Car Sales





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STATISTICAL BULLETIN

Volume 16, No. 1, January, 1983

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The Conference Board

STATISTICAL REFERENCE INDEX
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COMMENT

All good things are supposed to come to those who wait. The outlook, however, isn't quite that rosy. The *Economic Forecasts* continue to point to an end to three straight years of poor economic performance and the beginning of the long-delayed, consumer-led recovery. Meanwhile, the waiting continues. We are waiting for consumer confidence, which has been badly shaken by the unemployment announcements, to recover some composure. Further, many economy watchers are still convinced that the cyclical momentum that should be carrying activity higher is being impeded by high interest rates. Even though the prime interest rate is now down to 11%, a further decline of about 1% to 1½% in short-term interest rates may be needed to trigger the release of that cyclical momentum.

Waiting for the consumer-led recovery is predicated on the assumption that the consumer has the means, but not the inclination, to spend. Continued decline in employment and substantial wage moderation for those still working (see the *Key Determinants of Profit Margins* chart) resulted in virtually no change in personal income, adjusted for inflation, in the last four months of 1982. However, the saving rate probably fell a bit in the fourth quarter, which explains why spending was a shade stronger than income. Real retail sales were flat in October, but rose by just over 2% in November. That November gain was accompanied by a significant pickup in installment borrowing. However, given the low level of confidence and worry about unemployment, consumers were simply too nervous to continue to buy now and pay later. Real retail sales fell off a bit in December, but were still above October's level.

The Conference Board's *Estimates of Discretionary Purchasing Power and Spending* show that consumer finances may be in a little bit better shape than the overall spending and saving numbers indicate. In the first three quarters of 1982, *Discretionary Purchasing Power* (DPP) rose a shade faster than *Aggregate Purchasing Power* (APP). That is, the uncommitted portion of the household budget grew a bit more than the part of that budget earmarked for housing, food, transportation and other essentials.

The slight stirrings in consumer demand reflect a firming of attitudes. The Conference Board's *Consumer Confidence Index* had fallen from 61.6 (1969-1970 = 100) in July to 53.7 in August and remained at about that level in September. It fell to 49.7 in October—after the first announcement of double-digit unemployment—but recovered to 54.8 in November. Then came the early December announcement of a 10.8% unemployment rate; but the *Consumer Confidence Index* stayed at 54.4 in the December survey. What seems to have happened is that belief that the economy would begin to brighten within the next six months was badly shaken by the October announcement but not by the subsequent reports. The indication may be that consumers are fairly convinced that the economy is not going to get much worse and layoffs are about at an end. The strength exhibited in the *Consumer Expectations Index* suggests that the overall *Consumer Confidence Index* may be bottoming out.

The decline in employment has exceeded the drop in production. That development, together with the fact that the idled capacity is generally the least productive, results in higher productivity (see the *Key Determinants of Profit Margins* chart). After falling in four consecutive quarters, output per hour in the nonfinancial corporate sector rose 2.8% and 4.8% in the second and third quarters of 1982, respectively (seasonally adjusted at annual rates). Moreover, it is very likely that productivity took another sizable jump in the fourth quarter. These gains, and very substantial wage moderation, have held down the rise in unit labor cost—a major factor in the slowing of inflation. Profitability, though still depressed, recovered a little in the third quarter of 1982, and prospects are that it continued to improve in the fourth quarter. One important point to consider is that 1983 may see cyclical productivity gains of about 3% or 4% as the recession gives way to some recovery. That is one reason why the *Economic Forecasts* are pointing to very slow improvement in employment—even if real growth begins to approach a 4% pace.

Weak demand and a desire to keep inventory as lean as prudently possible caused further cuts in production in November and December. Operating rates also continued to hit new record lows. Even so, inventory policy is expected to switch to expansion now, and demand is expected to strengthen. The degree and duration of improvement in the composite index of *Leading Economic Indicators* suggest that there is gathering cyclical momentum in the system. And the current view of the *Economic Forecasts* is that the

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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845 Third Avenue
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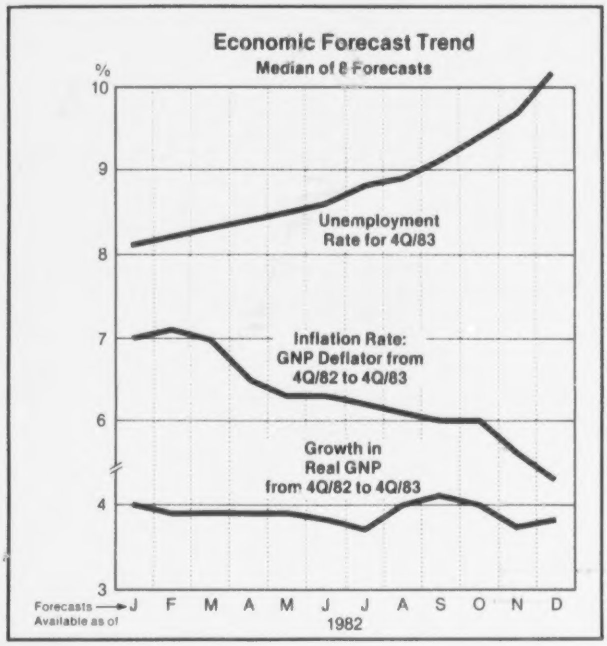
The Conference Board, Inc.
Avenue Louise, 207 Bte 5
B-1050 Brussels, Belgium



recovery is on track—arriving perhaps late in the first quarter or early in the second.

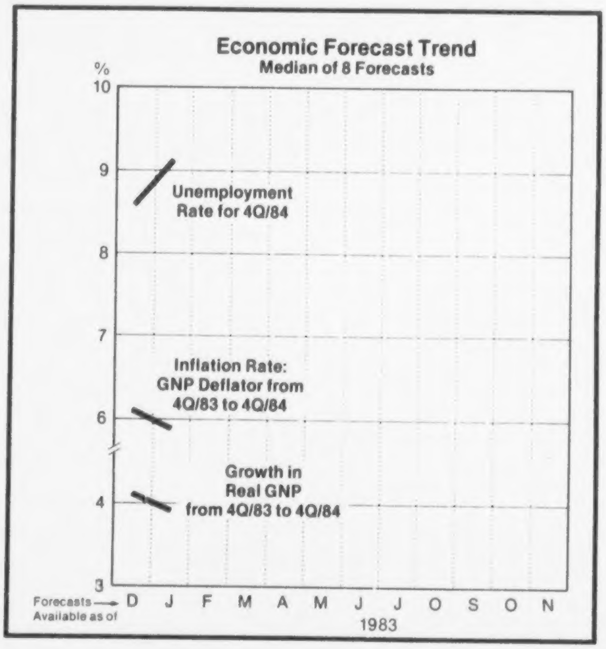
Real GNP was flat in the third quarter of 1982, and the median of the *Economic Forecasts* is that it fell almost 2% in the fourth quarter (seasonally adjusted at an annual rate). It is anticipated to be growing by between 1% and 3.3% in the first quarter of 1983, with a median of 2.3 percent. The median indicates that growth will quicken to 3.7% in the second quarter and 4.4% and 4.8% in the third and fourth quarters, respectively. Thus, the start of recovery, which was earlier expected to be in the third quarter of 1982, has been pushed back by three quarters. The new accompanying chart shows that the median expectation for real output growth from the fourth quarter of 1983 to the fourth quarter of 1984 is in a 4% range, about the same as the anticipated rate for the four-quarter span ending this year.

Three months ago, we said that some economy watchers were skeptical that the economy could grow very much in an environment of slow money growth and high short-term interest rates. The Federal Reserve has hardly been bashful about allowing money growth to speed up. As shown on the *Money Supply and Monetary Growth Targets* chart, even though money growth was slowed late in December, the annualized rate over the latest six-month period is sharply higher than it was only a few months ago. The Federal Funds rate—the rate at which banks borrow from other banks—edged down toward 8½% by the end of December. It jumped back to 10.2% early in January, then was back down to 8½% a week later. Obviously, the lower the level of interest rates, the greater the expected pace of the recovery. The most pessimistic view of real growth is that it will reach just under 4% only in the last half of 1983 and slow to about 3% to 3½% in 1984. That view indicates some skepticism about how low interest rates will fall. If the pace of recovery really begins to kick up, becoming much stronger than currently anticipated, there is some feeling among forecasters that the associated rise in demand for credit from the private sector, coupled with the outsized federal budget deficit, would mean a run up in interest rates—very possibly choking off the expansion. The preponderance of risks, therefore, remains on the downside.

The earlier expectation for inflation in the four-quarter span ending this year was something close to 7 percent. That has since been shaved to a little over 5% in the latest set of *Economic Forecasts.* And the rate only moves to 6% for the four-quarter span ending next year.

As indicated earlier, high unemployment is expected to remain for quite a while even after the recovery sets in. The Conference Board's *Help-wanted Index* turned upward in November and December and may register a sizable gain in January. These gains are rather unusual, in light of the more typcial pattern that sees labor market conditions improve only after the general economy turns around. This time around, the sequence of events seem to be developing more concurrently. That is, the labor market may begin to recover at the same time activity quickens in other markets. Unemployment, then, may not go much higher than the 10.8% level it has already attained. The *Economic Forecasts* show the rate averaging 10.8% in the first quarter of 1983 and very slowly improving from that level in succeeding quarters. The most pessimistic view is that it will peak at 11.1% in the first quarter of 1983, but will then gradually inch lower through the forecast horizon.

Ken Goldstein

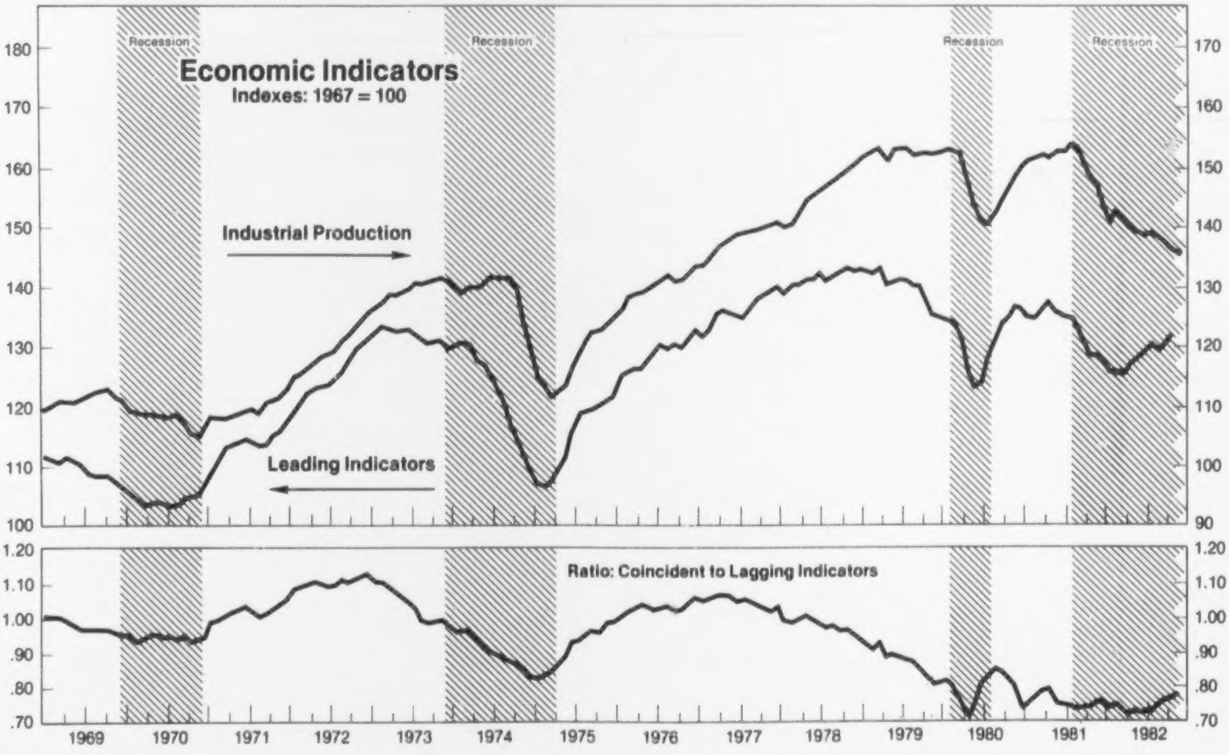


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Nov.	X			+ 1.9%	+ 2.7%
Capital Investment Commitments						
*Contracts & orders, plant & equipment (deflated)	Nov.		X		+ 3.4%	—19.5%
New orders, nondefense capital goods (deflated)	Nov.				+ 4.6%	—22.1%
*Net business formation	Dec.			X	— 5.7%	—12.6%
*Housing permits	Nov.	X			+34.3%	+60.5%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Nov.			X	— 5.1%	— 6.4%
*Change in inventory, on hand & order (deflated)	Oct.	X			7.3%	—12.4%
Purchasing agents' buying policy	Nov.			X	— 4 %	— 8 %
*Vendor performance, reported slower deliveries	Nov.		X		0 %	+ 8 %
Industrial raw materials prices	Dec.			X	— 4.6%	—13.8%
*Change in sensitive prices	Nov.		X		— .2%	+ 1.0%
Sensitive Financial Flows						
*Money balance (M1-B deflated)	Nov.	X			+ 1.4%	+ 5.0%
Change in business loans	Dec.			X	—64.5%	—47.3%
*Change in liquid assets	Nov.			X	— 0.4%	— 0.3%
Change in consumer installment debt	Oct.			X	—10.7%	—15.9%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q		X		+ 1.6%	—24.3%
*Common stock prices	Dec.	X			13.2%	12.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	Dec.		X		+ 0.1hr.	— 0.1hr.
*Initial unemployment claims (inverted)	Dec.	X			+19.2%	— 1.6%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) 1977, p. 15.

*These twelve series make up the Composite Leading Index charted below.



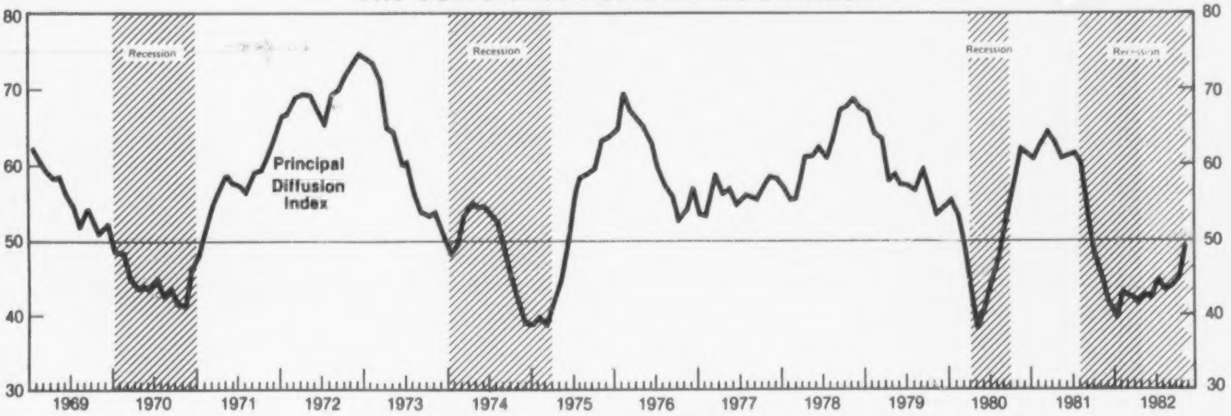
CONFERENCE BOARD DIFFUSION INDEXES

	1981	1982			
DIFFUSION INDEXES	Nov.	Aug.	Sept.	Oct.	Nov.(e)
Principal Diffusion Index	43.5	43.2	43.6r	45.1r	49.5
Auxiliary Diffusion Index	47.4	46.7	51.1r	55.0r	64.2
Industrial Group	36.7	35.2	33.7r	37.2r	42.6
Nonindustrial Group	50.3	51.3	53.5	53.0r	56.3
Sense of Diffusion	0	0	0	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	35.0	46.2	45.7r	44.9r	48.7
Labor	35.0	23.2	19.9	27.3	35.8
Miscellaneous	43.6	48.7	50.0	50.6	50.6
Nonindustrial Subgroups					
Prices	37.2	36.5	38.5	39.7	41.0
Consumer	69.7	63.2	69.2	69.7	74.8
Building	30.8	43.6	44.9	49.4	53.5
Miscellaneous	52.8	54.3	53.6	47.6r	50.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1980			*1981*				*1982*			
	May	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*
						Score (scale 0-100)					
Measure of Business Confidence	29	49	63	58	61	57	43	47	52	55	60
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	16	28	59	50	57	48	26	23	30	38	44
2. Expectations for Economy, Six Months Ahead	31	60	67	63	64	63	51	59	64	65	70
3. Expectations for Own Industry, Six Months Ahead	40	60	63	61	61	60	52	58	61	61	65

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

		1981				1982			Percent Change From Previous Year		
									1981	1982	1983
		I	II	III	IV	I	IIr	IIIp	Actual	Estimated	Expected**
1000 LARGEST MANUFACTURING FIRMS											
New appropriations		27.696	28.060	26.938	22.992	25.767	19.331	18.709	2	−21	22
Capital expenditures		24.057	24.580	26.217	26.174	26.924	25.734	24.521	15	2	0
Change in appropriations backlog*		+ 2.714	+ 2.736	+ 1.164	−4.602	−1.629	−8.289	−8.999			
Durable Goods											
New appropriations		9.705	11.488	11.549	9.532	8.446	7.308	7.568	−5	−27	13
Capital expenditures		10.323	10.405	11.079	10.965	11.161	10.663	9.676	4	− 3	−1
Change in appropriations backlog*		−0.702	+ 0.757	+ 0.964	−1.953	−2.994	−4.165	−4.275			
Nondurable Goods											
New appropriations		17.991	16.572	15.389	13.460	17.321	12.023	11.141	7	−18	28
Capital expenditures		13.734	14.175	15.138	15.209	15.763	15.071	14.845	24	5	1
Change in appropriations backlog*		+ 3.416	+ 1.979	+ 0.200	−2.649	+ 1.365	−4.124	−4.724			
ELECTRIC & GAS UTILITIES											
New appropriations	(r)	10.164	12.710	10.016	8.559	8.802	9.210	11.548			
Capital expenditures	(r)	7.680	7.998	8.512	8.404	8.965	8.796	8.883			
Change in appropriations backlog*	(r)	+ 1.728	+ 4.245	−6.994	−5.931	−5.773	−0.588	+ 1.953			

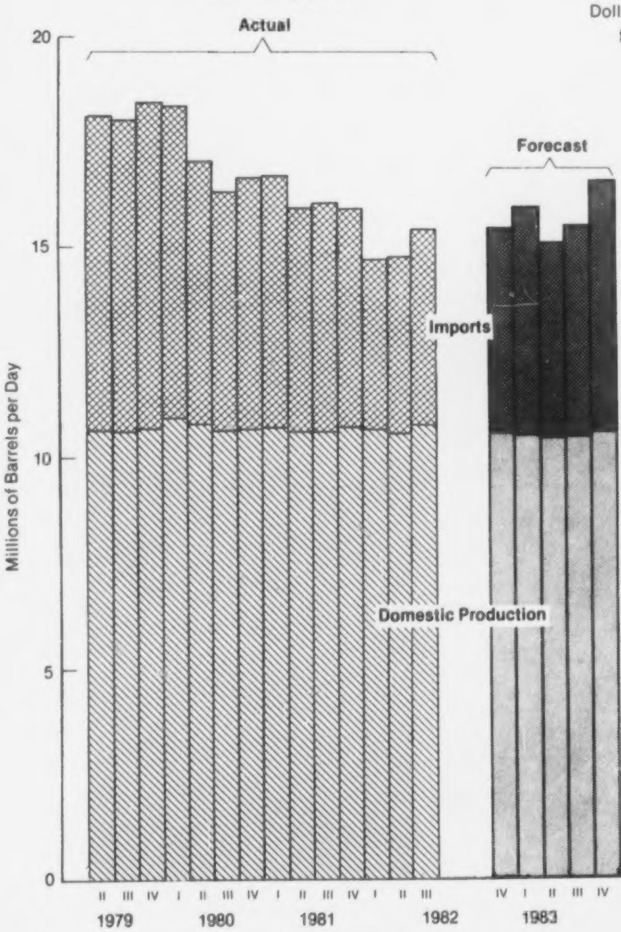
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

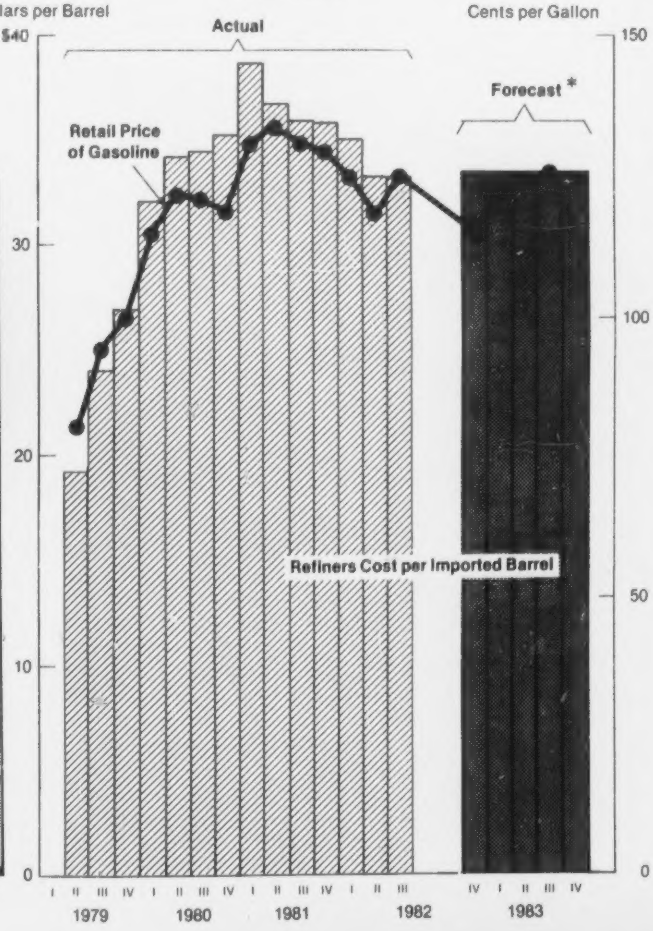
* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply



Oil Price



* Source of Forecast in The Energy Information Administration, Department of Energy.

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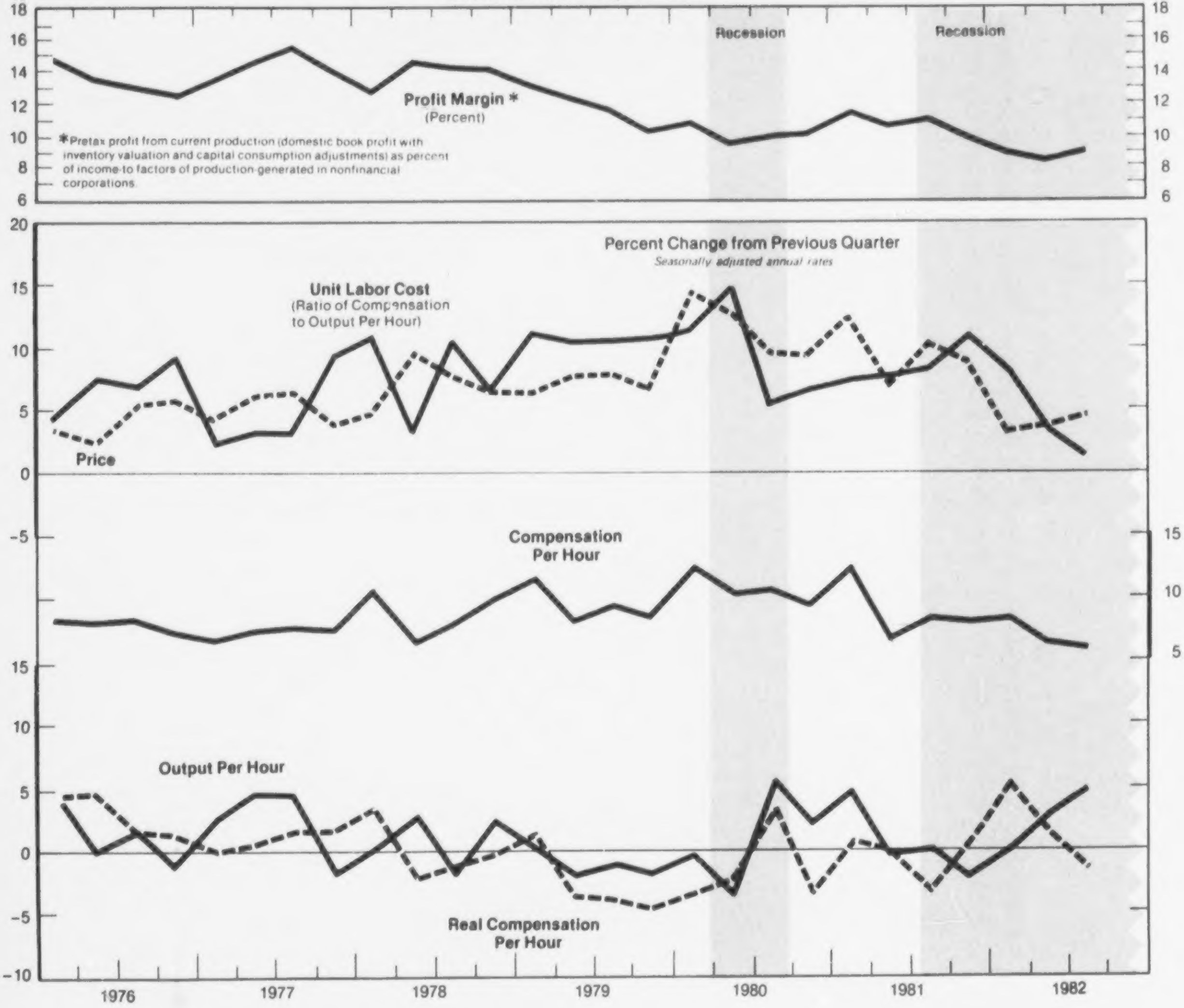
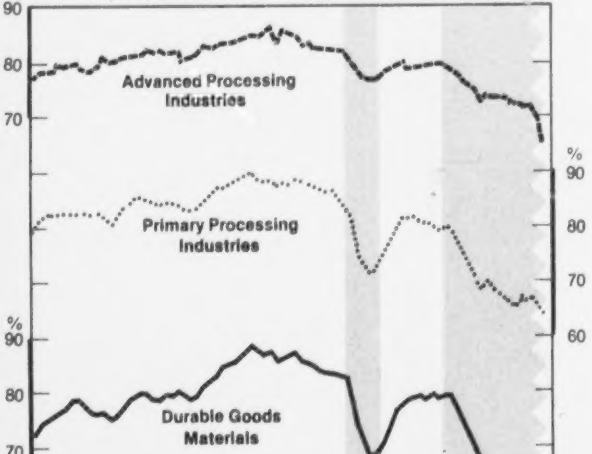
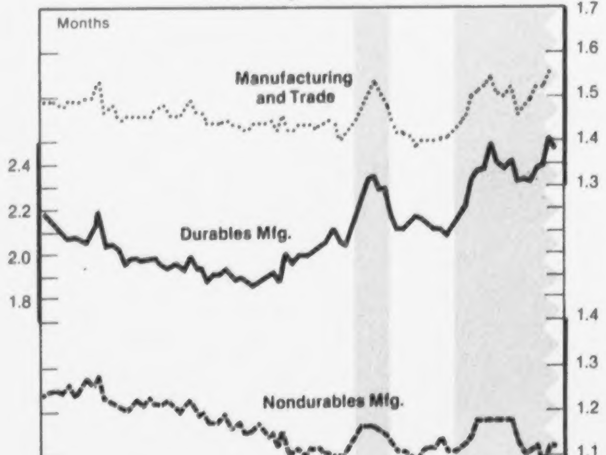
Key Determinants of Profit Margin,
Nonfinancial Corporations



Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		Kent Economic Institute[2]		Georgia State University[2]	
Date of Forecast			*Dec., 1982*		*Nov., 1982*		*Dec., 1982*		*Dec., 1982*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1982**	**III**	**$3088.2**	**5.8%**			**$3088.2**	**5.8%**	**$3088.2**	**5.8%**
Forecast		IV	3101.8	1.8	$3132.5	6.9%	3103.6	2.0	3109.0	2.7
	1983	I	3164.5	8.3	3197.6	8.6	3144.8	5.4	3158.1	6.5
		II	3235.6	9.3	3264.1	8.6	3203.1	7.6	3236.2	10.3
		III	3303.0	8.6	3343.8	10.1	3281.7	10.2	3308.8	9.3
		IV	3382.0	9.9	3442.4	12.3	3371.0	11.3	3384.0	9.4
	1984	I	3470.3	10.9	3537.2	11.5	3460.8	11.1	3463.6	9.7
		II	3553.1	9.9	3633.3	11.3	3544.0	10.0	3544.8	9.7
		III	3631.8	9.2			3669.3	14.9	3623.0	9.1
		IV	3712.7	9.2			3783.7	13.1	3704.3	9.3
	1982	Annual	3057.7	4.1	3063.5	4.3	3058.1	4.1	3059.5	4.1
	1983	Annual	3271.3	7.0	3312.0	8.1	3250.1	6.3	3271.8	6.9
	1984	Annual	3592.0	9.8			3614.4	11.2	3583.9	9.5
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1982**	**III**	**$1481.1**	**0.7%**			**$1481.1**	**0.7%**	**$1481.1**	**0.7%**
Forecast		IV	1470.1	−2.9	$1478.8	0.1%	1471.2	−2.6	1474.0	−1.9
	1983	I	1478.4	2.3	1490.8	3.3	1481.2	2.7	1480.6	1.8
		II	1495.0	4.6	1500.6	2.7	1493.2	3.3	1499.5	5.2
		III	1508.9	3.8	1515.0	3.9	1510.7	4.8	1513.5	3.8
		IV	1526.0	4.6	1535.7	5.6	1530.7	5.4	1527.3	3.7
	1984	I	1544.9	5.0	1556.8	5.6	1540.2	2.5	1543.5	4.3
		II	1562.5	4.6	1576.2	5.1	1553.7	3.6	1558.7	4.0
		III	1577.3	3.8			1569.4	4.1	1572.6	3.6
		IV	1590.0	3.3			1583.8	3.7	1585.4	3.3
	1982	Annual	1475.1	−1.8	1476.6	−1.7	1475.3	−1.8	1476.0	−1.8
	1983	Annual	1502.1	1.8	1510.5	2.3	1503.9	1.9	1505.2	2.0
	1984	Annual	1568.7	4.4			1561.8	3.8	1565.0	4.0
Gross National Product Deflator Index, 1972 = 100										
Actual	**1982**	**III**	**208.5**	**5.0%**			**208.5**	**5.0%**	**208.5**	**5.0%**
Forecast		IV	211.0	4.9	211.8	6.8%	211.0	4.8	210.9	4.7
	1983	I	214.0	5.9	214.5	5.1	212.3	2.6	213.3	4.6
		II	216.4	4.5	217.5	5.8	214.5	4.2	215.8	4.8
		III	218.9	4.6	220.7	6.0	217.2	5.2	218.6	5.3
		IV	221.6	5.1	224.2	6.4	220.2	5.6	221.6	5.5
	1984	I	224.6	5.5	227.2	5.6	224.7	8.4	224.4	5.2
		II	227.4	5.0	230.5	5.9	228.1	6.2	227.4	5.5
		III	230.3	5.1			233.8	10.4	230.4	5.3
		IV	233.5	5.8			238.9	9.0	233.7	5.8
	1982	Annual	207.3	6.0	207.5	6.1	207.3	6.0	207.3	6.0
	1983	Annual	217.8	5.1	219.3	5.7	216.1	4.3	217.4	4.9
	1984	Annual	229.0	5.1			231.4	7.1	229.0	5.4
Unemployment Rate										
Actual	**1982**	**III**	**9.9%**		**9.9%**		**9.9%**		**9.9%**	
Forecast		IV	10.7		10.8		10.7		10.7	
	1983	I	11.1		10.9		10.6		11.0	
		II	11.0		10.4		10.2		10.9	
		III	10.9		9.9		9.8		10.7	
		IV	10.6		9.6		9.4		10.5	
	1984	I	10.2		9.3		9.2		10.3	
		II	9.8		9.0		9.1		10.1	
		III	9.5				8.5		9.9	
		IV	9.3				8.2		9.8	
	1982	Annual	9.7		9.7		7.5		9.7	
	1983	Annual	10.9		10.2		10.0		10.8	
	1984	Annual	9.7				8.7		10.0	

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (first revision) third quarter data.

[2] Based on revised (second revision) third quarter data.

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ECONOMIC FORECASTS (continued)

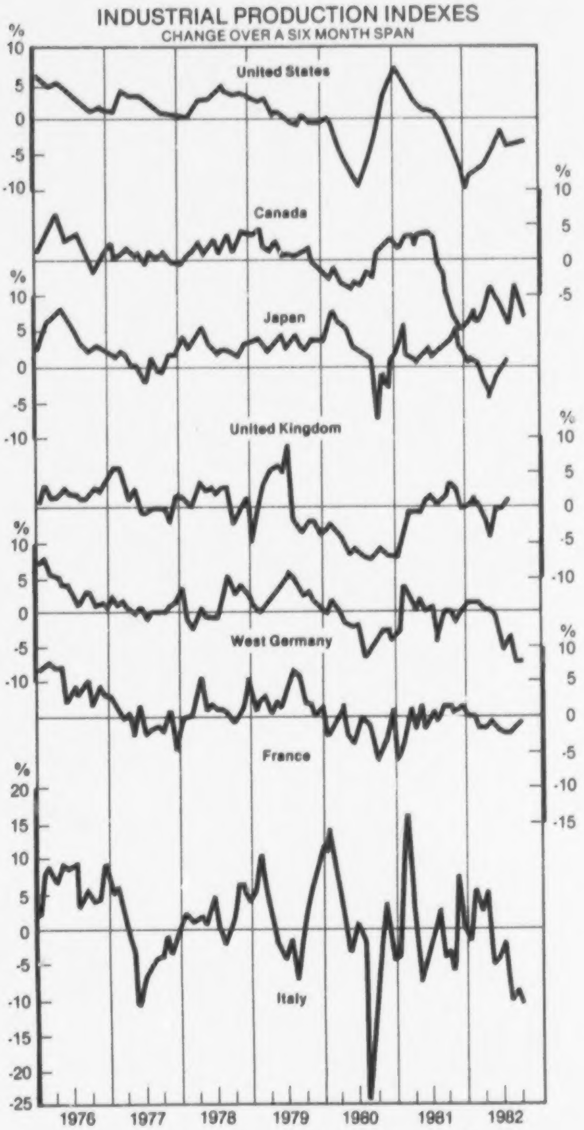
The Conference Board[2]		Chase Econometric Associates, Inc.[3]		Data Resources Inc.[3]		Wharton E.F.A. Inc.[3]				
Dec., 1982		*Dec., 1982*		*Dec., 1982*		*Dec., 1982*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3088.2	5.8%	$3088.2	5.8%	$3088.2	5.8%	$3088.2	5.8%	III	1982	Actual
3113.0	3.3	3111.9	3.1	3116.2	3.7	3129.2	5.4	IV		Forecast
3167.0	7.1	3171.7	7.9	3164.2	6.3	3182.7	7.0	I	1983	
3244.0	10.1	3235.1	8.2	3233.6	9.1	3254.6	9.3	II		
3341.0	12.5	3318.5	10.7	3309.8	9.8	3337.8	10.6	III		
3433.0	11.5	3403.2	10.6	3395.6	10.8	3425.5	10.9	IV		
3525.0	11.2	3489.3	10.5	3481.1	10.5	3513.0	10.6	I	1984	
3595.0	8.2	3573.5	10.0	3570.7	10.7	3607.4	11.2	II		
3675.0	9.2	3663.2	10.4	3662.9	10.7	3696.2	10.2	III		
3773.0	11.1	3758.2	10.8	3761.6	11.2	3791.1	10.7	IV		
3060.5	4.2	3060.2	4.2	3061.3	4.2	3064.5	4.3	Annual	1982	
3296.2	7.7	3282.1	7.3	3275.8	7.0	3300.1	7.7	Annual	1983	
3642.0	10.5	3621.0	10.3	3619.1	10.5	3651.9	10.7	Annual	1984	
								Gross National Product Billions of Constant (1972) Dollars		
$1481.1	0.7%	$1481.1	0.7%	$1481.1	0.7%	$1481.1	0.7%	III	1982	Actual
1474.5	−1.8	1475.4	−1.5	1474.1	−1.9	1479.3	−.5	IV		Forecast
1482.8	2.3	1487.2	3.2	1477.7	1.0	1487.3	2.2	I	1983	
1499.2	4.5	1498.6	3.1	1490.3	3.5	1501.6	3.9	II		
1522.7	6.4	1515.0	4.4	1506.6	4.4	1520.9	5.2	III		
1540.6	4.8	1529.4	3.9	1524.4	4.8	1540.5	5.3	IV		
1558.1	4.6	1544.7	4.1	1539.7	4.1	1560.2	5.2	I	1984	
1567.1	2.3	1559.1	3.8	1558.3	4.9	1580.7	5.4	II		
1580.0	3.3	1574.6	4.0	1577.2	4.9	1597.6	4.3	III		
1599.0	4.9	1589.4	3.8	1595.4	4.7	1614.2	4.2	IV		
1476.2	−1.8	1476.4	−1.7	1476.1	−1.8	1477.4	−1.7	Annual	1982	
1511.3	2.4	1507.5	2.1	1499.7	1.6	1512.6	2.4	Annual	1983	
1576.0	4.3	1566.9	3.9	1567.6	4.5	1588.2	5.0	Annual	1984	
								Gross National Product Deflator Index, 1972 = 100		
208.5	5.0%	208.5	5.0%	208.5	5.0%	208.5	5.0%	III	1982	Actual
211.1	5.1	210.9	4.7	211.4	5.7	211.5	5.9	IV		Forecast
213.6	4.7	213.3	4.5	214.1	5.3	214.0	4.7	I	1983	
216.4	5.3	215.9	5.0	217.0	5.4	216.7	5.2	II		
219.4	5.7	219.0	6.0	219.7	5.1	219.5	5.1	III		
222.8	6.4	222.5	6.5	222.7	5.7	222.4	5.4	IV		
226.2	6.2	225.9	6.2	226.1	6.1	225.2	5.1	I	1984	
229.4	5.7	229.2	6.0	229.1	5.5	228.2	5.5	II		
232.6	5.7	232.6	6.1	232.2	5.5	231.4	5.6	III		
236.0	5.9	236.5	6.7	235.8	6.2	234.9	6.2	IV		
207.3	6.0	207.3	6.0	207.4	6.1	207.4	6.1	Annual	1982	
218.1	5.2	217.7	5.0	218.4	5.3	218.2	5.2	Annual	1983	
231.1	6.0	231.1	6.1	230.9	5.7	229.9	5.4	Annual	1984	
								Unemployment Rate		
9.9%		9.9%		9.9%		9.9%		III	1982	Actual
10.7		10.7		10.8		10.8		IV		Forecast
10.8		10.7		11.1		10.8		I	1983	
10.7		10.4		10.8		10.6		II		
10.4		10.2		10.6		10.4		III		
10.1		9.9		10.3		10.3		IV		
9.8		9.7		10.1		10.0		I	1984	
9.7		9.5		9.8		9.5		II		
9.5		9.3		9.5		9.1		III		
9.1		9.0		9.1		8.6		IV		
9.7		9.7		9.7		9.7		Annual	1982	
10.5		10.3		10.7		10.5		Annual	1983	
9.5		9.4		9.6		9.3		Annual	1984	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

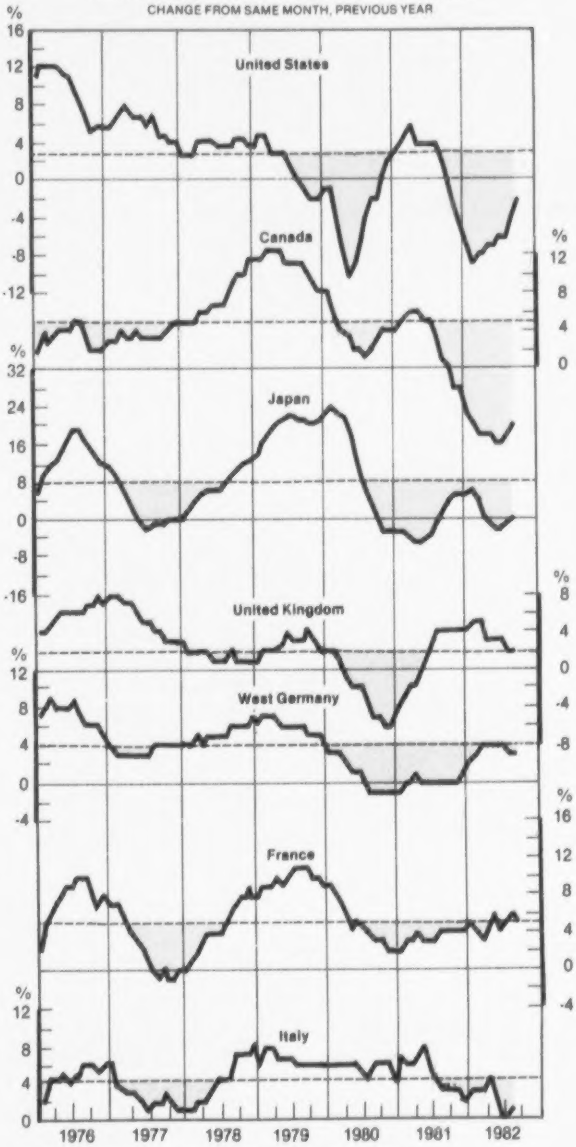
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



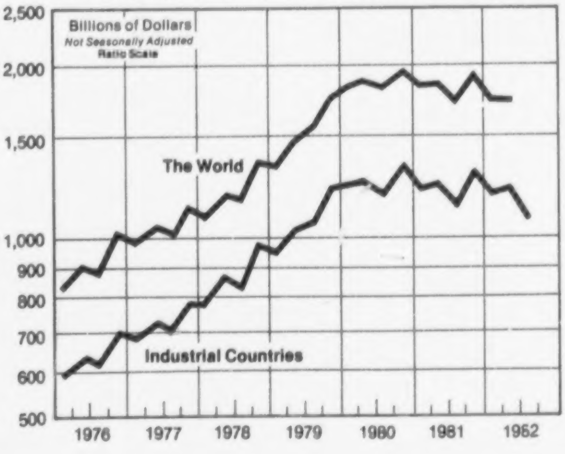
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM SAME MONTH, PREVIOUS YEAR

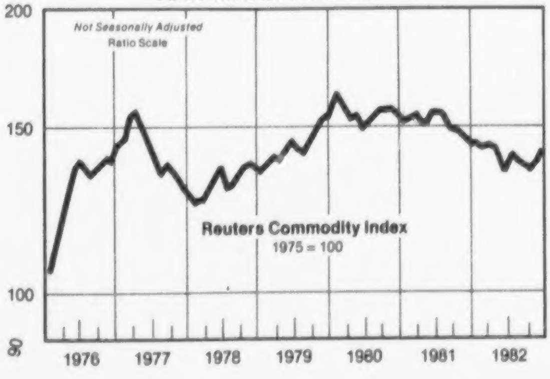


Source: Center for International Business Cycle Research, Rutgers University

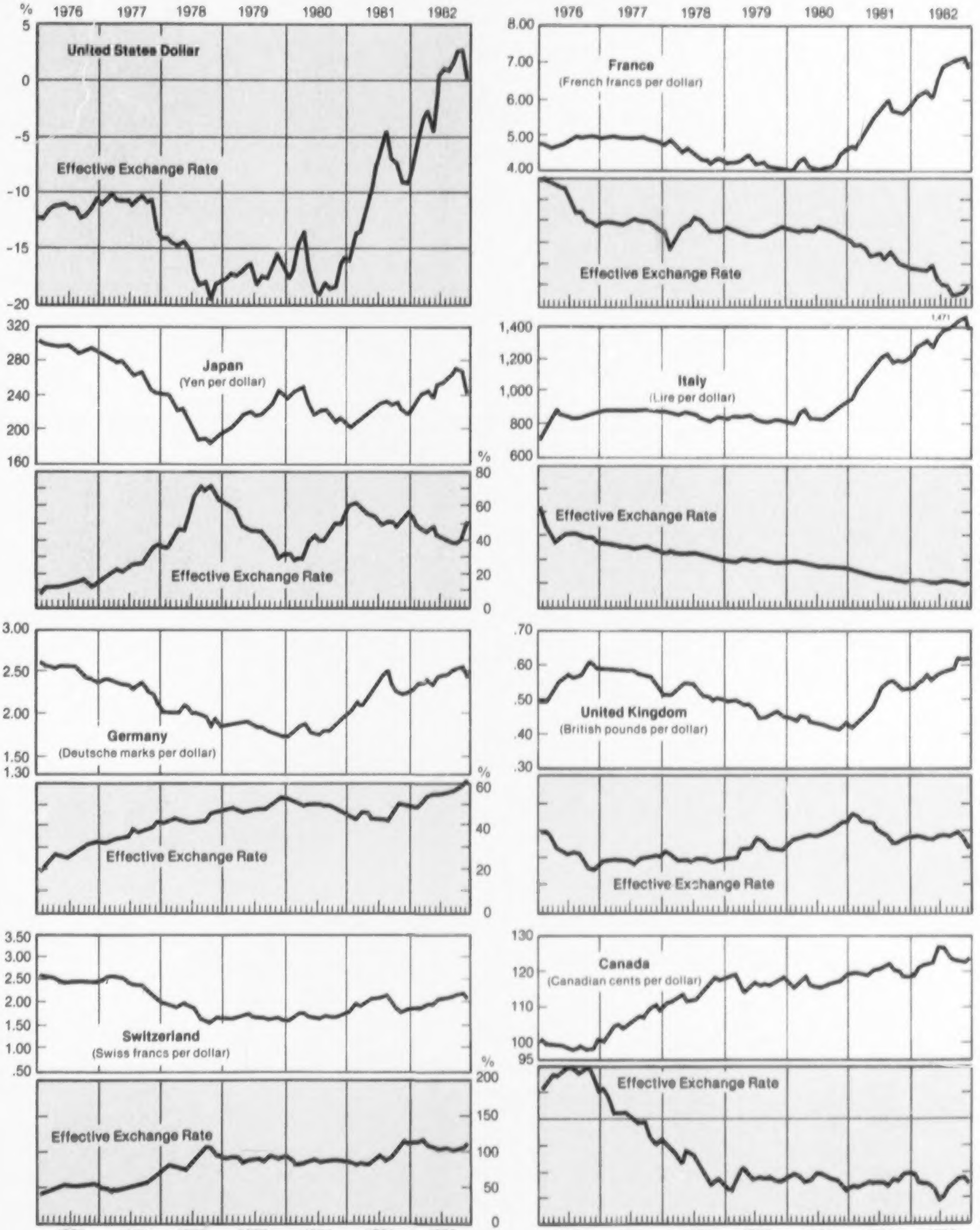
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-à-vis a group of 15 major currencies, weighted according to the average bilateral manufactures trade of 1976. Changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

Source: Morgan Guaranty Trust

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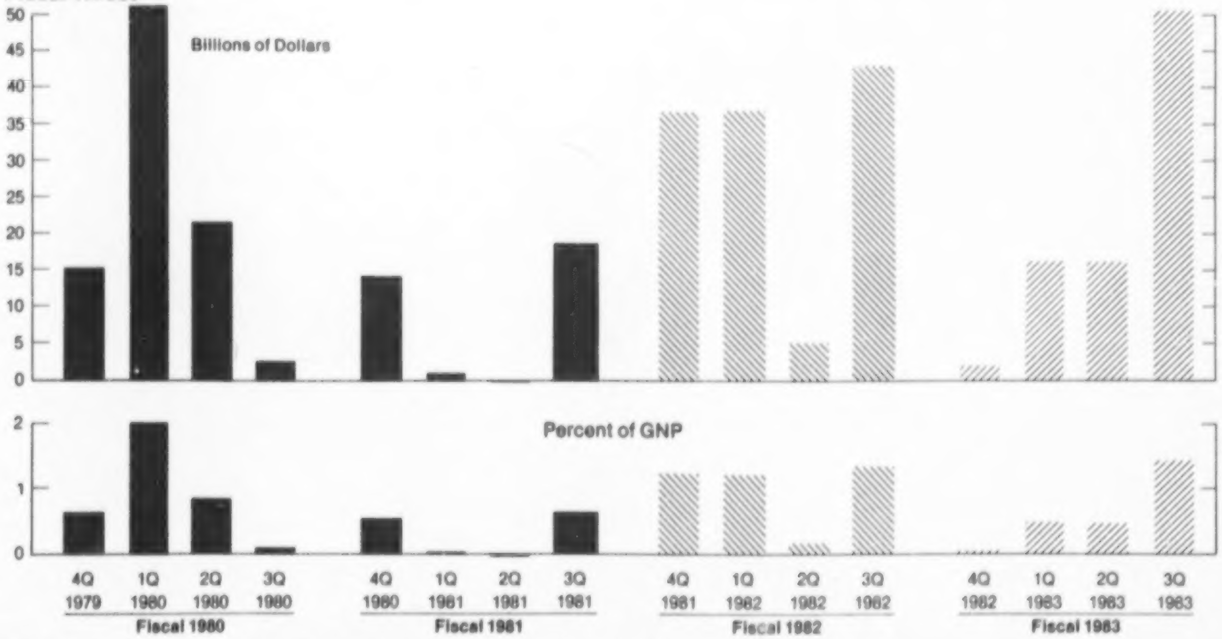
PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1982	Fiscal 1983			Fiscal 1984	
	Actual	*Current Services*	*President's Proposal*	*Congressional Estimate*	*President's Proposal*	*Congressional Estimate*
	(10/26/82)	*(2/8/82)*	*(2/8/82)*	*(9/1/82)*	*(2/8/82)*	*(9/1/82)*
Receipts	**$617.8**	**$653.3**	**$666.1**	**$633.0**	**$723.0**	**$692.0**
Outlays	**728.4**	**779.3**	**757.6**	**788.0**	**805.9**	**844.0**
Deficit	**−110.6**	**−126.0**	**−91.5**	**−155.0**	**−82.9**	**−152.0**
Receipts by source	**617.8**	**653.3**	**666.1**	**633.0**	**723.0**	**692.0**
Individual income taxes	298.1	301.0	304.5	298.0	322.9	316.0
Corporate income taxes	49.2	56.2	65.3	47.0	83.7	63.0
Social insurance	201.1	223.6	222.5	217.0	242.5	240.0
Other receipts	69.4	72.5	73.8	71.0	73.9	73.0
Outlays by function	**728.4**	**779.3**	**757.6**	**788.0**	**805.9**	**844.0**
Income security	248.8	271.5	261.7	270.0	274.8	285.0
National defense	187.4	202.3	221.1	216.0	253.0	245.0
Health	74.0	82.5	78.1	79.0	84.9	87.0
Veterans' benefits	24.0	24.9	24.4	24.0	25.6	25.0
Education and manpower	25.4	26.7	21.6	27.0	19.3	27.0
Transportation	20.6	20.9	19.6	20.0	18.4	20.0
International affairs	10.0	11.7	12.0	12.0	12.3	12.0
Natural resources and environment	13.1	10.7	9.9	11.0	8.4	10.0
Agriculture	14.8	4.5	4.5	15.0	5.1	10.0
General science	7.1	7.6	7.6	8.0	7.8	8.0
Community development	7.4	7.3	7.3	8.0	6.7	8.0
Revenue sharing	6.2	6.6	6.7	6.0	6.8	7.0
General government	4.8	4.8	5.0	5.0	5.2	5.0
Justice	4.6	4.8	4.6	5.0	4.6	4.0
Energy	4.8	5.5	4.2	5.0	3.8	3.0
Commerce and housing credit	3.8	3.6	1.6	2.0	1.3	3.0
Interest	100.8	115.1	112.5	115.0	116.2	132.0
Allowances	—	1.5	−1.3	−3.0	−0.2	−2.0
Undistributed offsetting receipts	−29.3	−33.4	−43.5	−36.0	−48.2	−43.0

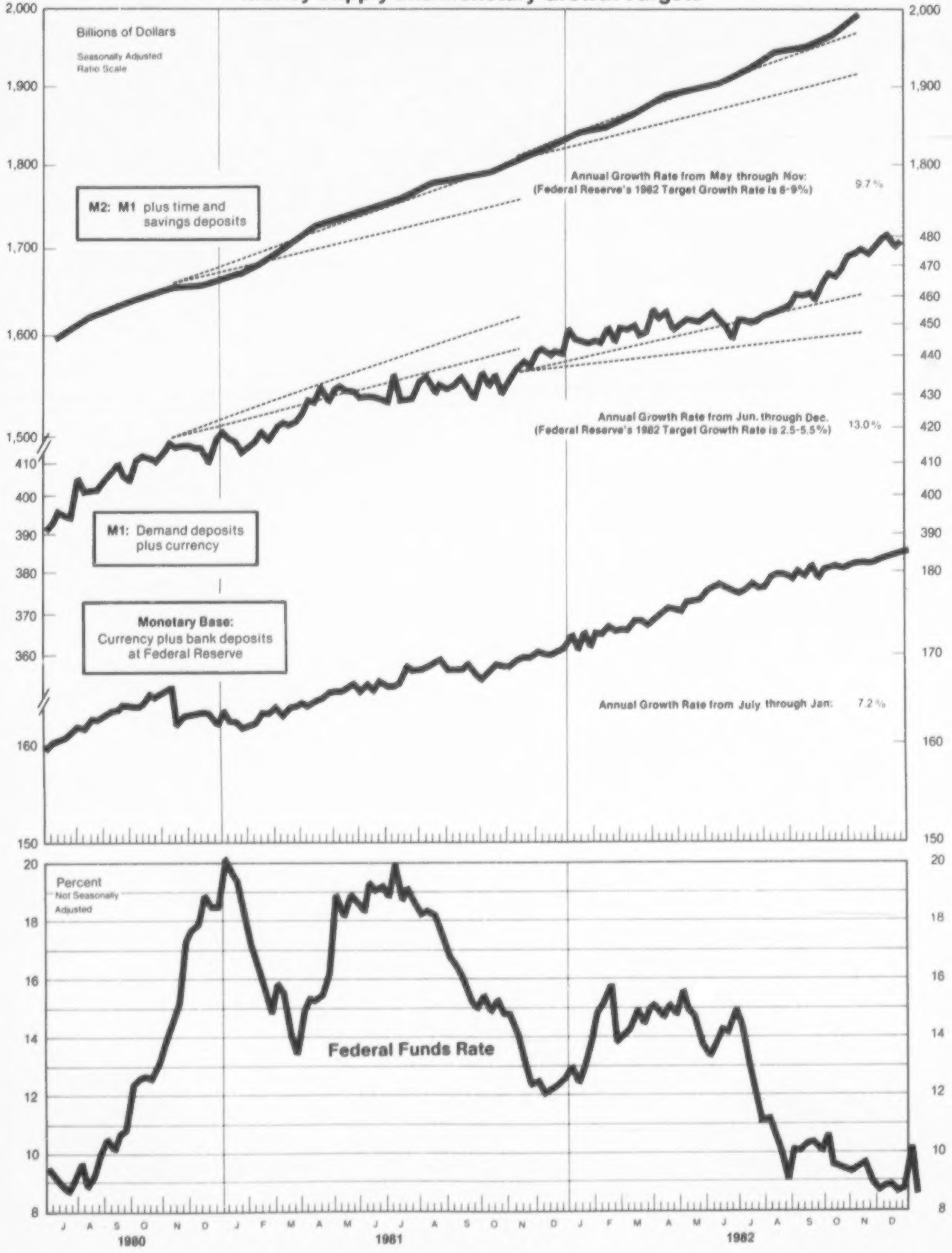
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York: 1980

Money Supply and Monetary Growth Targets



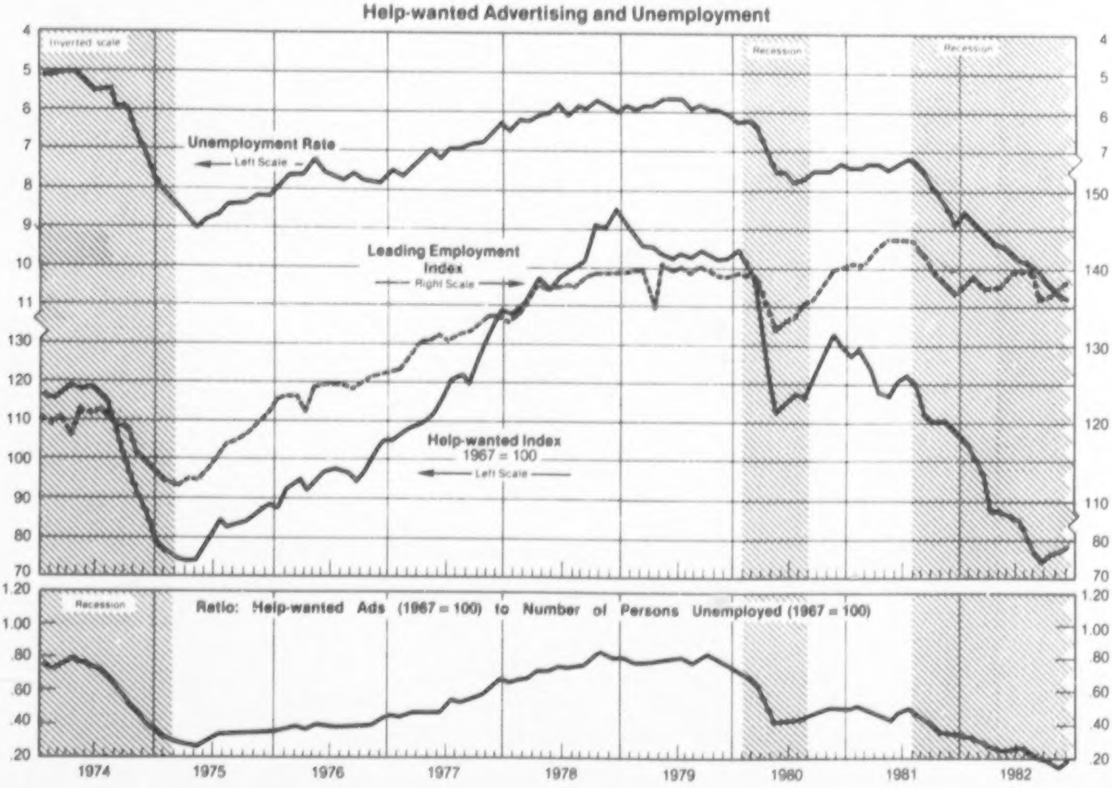
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1982			1981
	Nov	Oct.	Sept.	Nov
Total index 51 papers	78	76	73	111
New England	80	77	73	97
Boston	86	85	79	103
Hartford	87	81	82	115
Providence	51	47	45	61
Middle Atlantic	43	42	42	58
Albany	74	67	70	89
Allentown	80	84	66	100
New York	39	39	41	53
Philadelphia	38	36	36	51
Pittsburgh	42	42	40	61
Rochester	50	49	45	68
Syracuse	65	64	61	79
East North Central	43	42	38	61
Chicago	40	41	38	63
Cincinnati	58	52	50	75
Cleveland	33	35	34	54
Columbus	71	66	60	88
Dayton	44	43	35	53
Detroit	29	29	26	44
Gary	99	87	85	111
Indianapolis	54	49	35	67
Milwaukee	29	31	29	45
Toledo	63	61	60	89
West North Central	41	41	39	59
Kansas City	60	57	58	83
Minneapolis	30	30	28	53
Omaha	69	72	70	88
St. Louis	31	35	32	42
South Atlantic	88	85	77	109
Atlanta	141	134	120	170
Baltimore	65	60	56	72
Charlotte	n.a.	72	65	103
Jacksonville	124	104	102	132
Miami	60	60	60	98
Richmond	51	52	47	60
Washington, D.C.	90	88	76	108
East South Central	76	76	70	98
Birmingham	79	75	74	117
Knoxville	124	123	125	174
Louisville	44	44	36	53
Memphis	67	66	65	82
Nashville	94	101	81	107
West South Central	184	181	180	306
Dallas	221	214	202	277
Houston	248	245	251	470
New Orleans	101	100	109	160
Oklahoma City	136	122	123	251
San Antonio	116	124	117	173
Tulsa	102	98	96	232
Mountain	154	141	132	223
Denver	114	105	102	181
Phoenix	194	180	162	258
Salt Lake City	173	156	149	251
Pacific	114	114	111	165
Los Angeles	89	90	88	143
Sacramento	200	184	184	221
San Bernardino	97	100	91	132
San Diego	204	217	205	287
San Francisco	120	116	113	174
Seattle	133	130	131	160
Percentage of papers with rising volume	63%	76%	10%	61%
Unemployment rate	10.8%	10.4%	10.1%	8.4%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1980	76.0	74.1	71.2	53.6	45.1	54.1	62.9	67.5	75.1	76.7	79.9	68.0
1981	70.0	63.5	71.8	75.0	79.9	79.6	78.6	78.6	70.4	67.4	61.6	59.4
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8r	54.4p

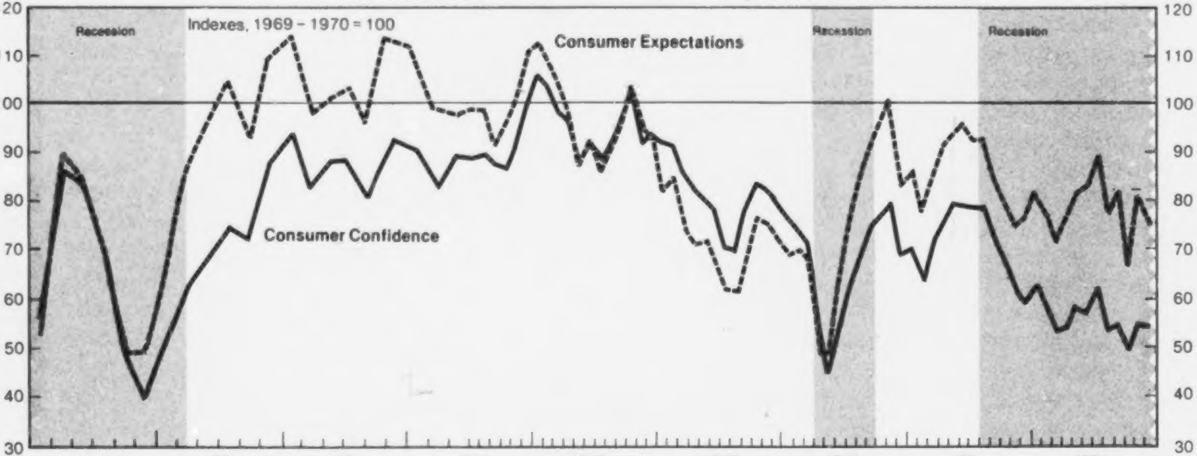
Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1980	97.3	107.6	115.7	84.5	78.1	94.3	92.9	86.6	99.2	91.8	94.2	89.2
1981	87.5	90.5	98.0	85.9	84.8	89.5	78.7	96.7	90.3	86.2	89.8	99.2
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5r	75.4p

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



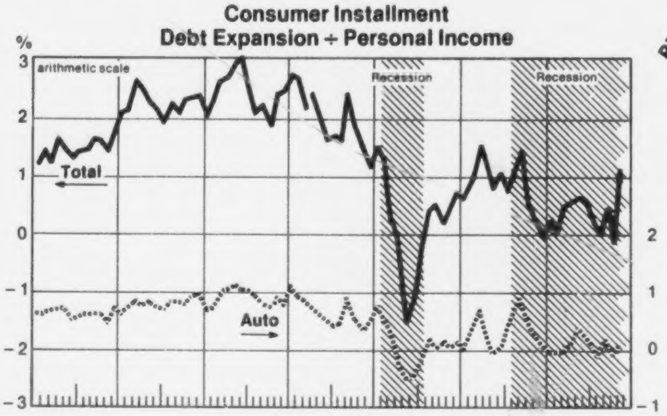
CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

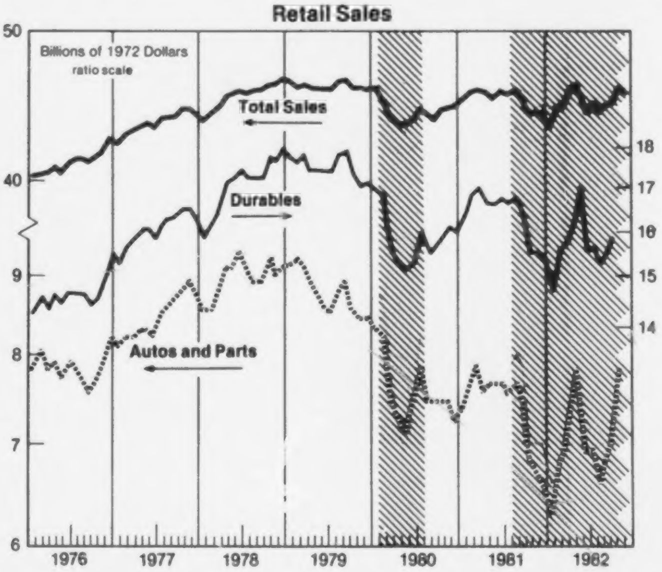
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IIIr	$1689.8	$608.4	$422.9	$185.5	69.5%	25.0%	15.5%	9.2%
	IVr	1714.9	604.0	437.0	167.0	72.3	25.5	14.0	8.5
1979	Ir	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	IIr	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	IIIr	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IVr	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	Ir	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	IIr	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	IIIr	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IVr	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	Ir	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	IIr	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	IIIr	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IVr	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2319.9	746.3	530.1	216.2	71.0	22.9	13.2	11.6
	IIr	2365.2	752.8	543.0	209.8	72.1	23.0	13.6	11.0
	IIIp	2436.8	798.3	550.6	247.7	69.0	22.6	14.4	12.6

Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised


Consumer Installment Debt Expansion ÷ Personal Income


Retail Sales

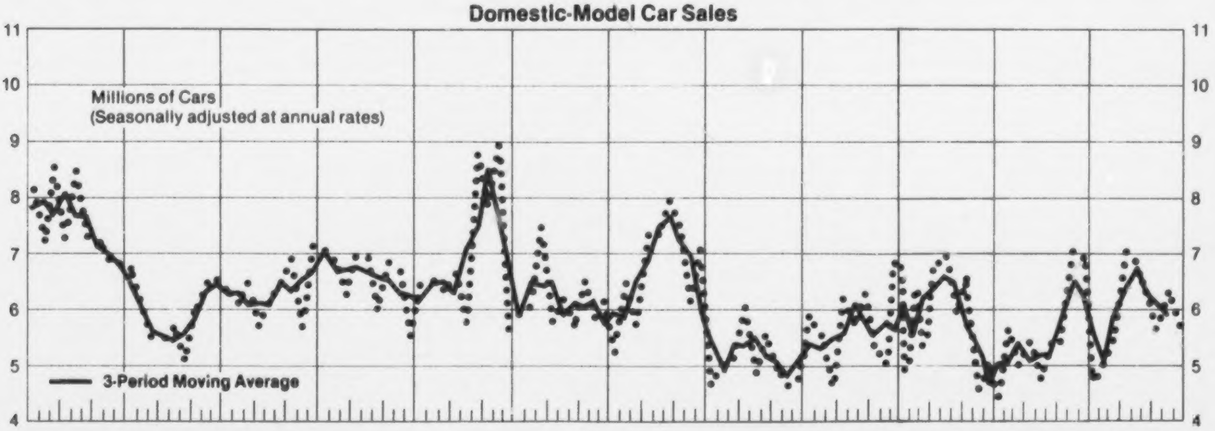
REVISED

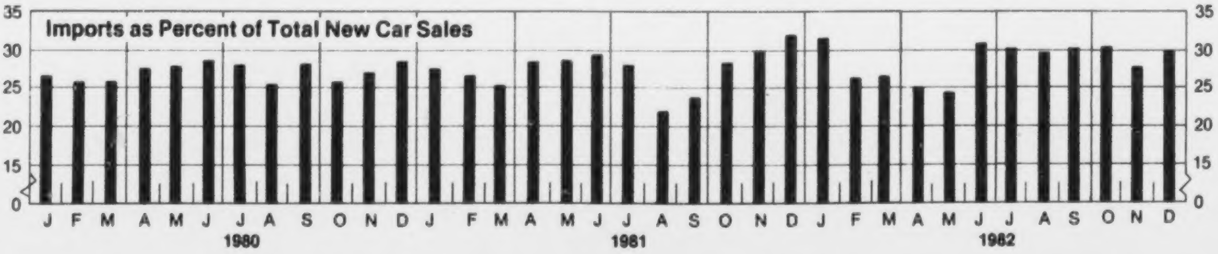
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1979	1980	1981	1982
January:	1-10	9.60	7.87	6.27	5.68
	11-20	9.54	7.08	6.44	5.43
	21-31	9.25	9.17	6.74	5.17
February:	1-10	9.34	6.88	6.30	5.88
	11-20	9.26	8.28	5.65	5.61
	21-28(29)	8.94	6.36	7.70	5.54
March:	1-10	8.94	6.98	7.55	5.18
	11-20	9.43	7.18	9.29	5.24
	21-31	8.46	6.12	5.02	6.16
April:	1-10	9.44	7.02	6.18	5.11
	11-20	7.91	5.94	6.01	6.38
	21-30	8.60	5.90	6.22	5.77
May:	1-10	8.61	5.78	6.09	7.26
	11-20	7.54	6.10	6.64	7.47
	21-31	8.47	5.17	5.76	6.06
June:	1-10	7.12	5.95	6.50	6.51
	11-20	7.69	6.78	6.18	4.83
	21-30	6.92	6.74	6.35	5.17
July:	1-10	8.18	6.60	5.45	4.54
	11-20	7.86	6.41	6.78	5.88
	21-31	8.93	6.59	5.80	5.22
August:	1-10	8.17	5.44	7.08	5.18
	11-20	10.82	5.81	6.91	4.48
	21-31	8.62	6.00	7.38	5.58
September:	1-10	9.46	6.05	6.57	4.70
	11-20	9.36	5.58	6.09	6.95
	21-30	7.27	6.74	6.67	6.49
October:	1-10	6.23	7.60	4.98	5.09
	11-20	8.51	7.09	5.18	5.16
	21-31	7.98	6.49	5.32	5.68
November:	1-10	6.71	7.03	6.05	7.10
	11-20	8.15	7.10	4.93	6.94
	21-30	7.09	6.11	8.75	6.49
December:	1-10	7.68	6.88	4.98	5.64
	11-20	7.72	7.08	4.88	6.62
	21-31	8.07	5.81	5.03	6.46

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.


Domestic-Model Car Sales


Imports as Percent of Total New Car Sales

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STATISTICAL BULLETIN

Volume 16, No. 2, February, 1983

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The Conference Board

COMMENT

The latest batch of economic reports suggests that the waiting game may be over. The recession may very well have ended in December. And the *Economic Forecasts* indicate that the pace of activity in the first quarter of 1983 may turn out to be rather vigorous. The outlook only last month was for something more aptly described as sluggishness.

The assessment of the outlook seemed to change sharply in January (see the accompanying charts). Several factors played a role in this shift. One is certainly the report that real output fell more significantly in the fourth quarter than had been anticipated. Part of the reason for that difference is that the actual inventory liquidation in the quarter was even greater than the sizable drop most forecasters had expected. This is taken as a good sign because inventory runoff isn't expected to continue in the first quarter at anything like the fourth-quarter pace. Indeed, the switch from inventory decumulation to accumulation is undoubtedly occurring at the moment. It is this swing in the inventory cycle that is expected to add to growth of output in the first quarter of 1983. End-user demand had already begun to recover in the fourth quarter of 1982.

Of course, prospects for a recovery have been enhanced by the shift from a very restrictive monetary policy to one more accommodating to economic expansion. The Federal Reserve had adopted a policy of not allowing enough money supply expansion to sustain both growth in production and escalating prices. By the second half of last year, inflation had slowed dramatically. Moreover, with the high degree of slack in the system, there was little danger of any quick return to the inflationary treadmill. Rather, the more immediate danger seemed to be that the cyclical momentum toward recovery was running into the barrier set up by the restrictive monetary policy. That is, money growth was too slow and interest rates were too high to facilitate an increase in consumer demand that might call forth additional production.

The *Money Supply and Monetary Growth Targets* chart shows that short-term interest rates began to fall as early as last July. The Federal Funds rate—the rate at which banks borrow from other banks—had eased from about a 15% rate in July to 8½% by the end of December. The prime rate dropped from about 16% to 11% over the same period. The chart also shows that the money supply began to rise very rapidly in September and continued to do so through the end of the year.

This more accommodative policy stance can be expected to continue at least until it is clear that a significant recovery is well underway. The *Economic Forecasts* suggest that recovery is, in fact, beginning in the first quarter of 1983, with some evidence that consumer demand is strengthening.

The delay of the start of a consumer-led recovery has not resulted from any shortfall in funds to spend. Rather, it is explained by a lack of inclination to buy. The decline in employment and substantial moderation of wage gains (see the *Key Determinants of Profit Margins* chart) resulted in very little growth in personal income, adjusted for inflation, in the last four months of 1982. However, with some drop in the personal saving rate, spending was a little stronger than income. Real retail sales were almost 3% higher in January than last August. And consumer installment debt has been increasing in recent months. The implication is that consumers have begun to recover some faith that the economy is indeed starting back on the road to expansion.

The Conference Board's *Help-wanted Index* has been rising since October, suggesting that depressed labor market conditions may begin to ease somewhat. The report of some decline in unemployment in January reinforces that view. It is very likely that the steady drumbeat of bad news about unemployment has weighed most heavily on consumer attitudes. The latest reading of The Conference Board's *Consumer Confidence Index* shows that, after hitting a low of 49.7 (1969-1970 = 100) in October, it recovered to 56.7 in December. The trend in the Expectations Index closely parallels that overall move. These latest readings, taken from a survey conducted before the upbeat January unemployment report was released, suggest that consumers are becoming less anxious about the economy in general, and less fearful about the probability of becoming unemployed in particular.

Some gain in consumer demand, and the swing in the inventory cycle, suggest that some rise in production and in capacity utilization will be forthcoming. Industrial production was flat in December; but, in January, it registered the first gain in almost a year. The *Economic Forecasts* point to continued increases in the coming months. Real GNP is anticipated to be growing by between 2.6% and 4.8% in the first quarter of 1983—with a median of 3.4% (seasonally adjusted at annual rates). Only last month, the expectation was for a rise of between 1% and 3.3%, with a median of 2.3 percent.

As seems to be usual in economics, there is a catch. A business-cycle expansion requires money. This business-

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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845 Third Avenue
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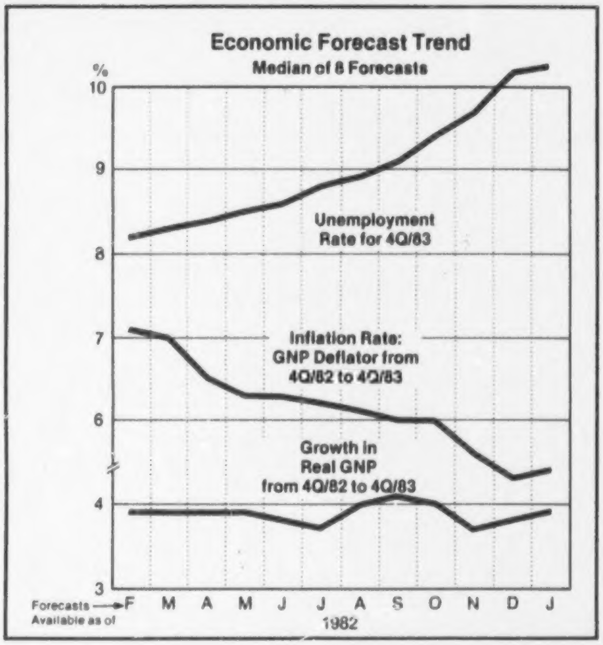
The Conference Board, Inc.
Avenue Louise, 207 Bte 5
B-1050 Brussels, Belgium



cycle expansion is gathering speed in an economic environment where interest rates, despite the recent declines, remain very high—both absolutely and relative to the inflation rate. In fact, the prime rate is higher at this cyclical turning point than at any previous turning point in our postwar history. Further, the Federal Government deficits for both this fiscal year and next are very large (see the revised data on the *Perspective on the Federal Budget* table).

The anticipated rate of economic expansion is moderate by historical standards. Nevertheless, it implies growing credit demand on the part of the business sector. Given the credit demand of the Federal Government, then, a money growth insufficient to support demand for funds from all sectors could easily send interest rates right back up. That would strain the economy's ability to continue to expand.

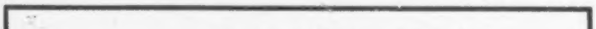
On the other hand, the view is still widely held that faster money growth—perhaps something more than the Federal Reserve's already established target ranges for the aggregates—could easily lead to more inflation down the road. These inflation expectations readily link to interest-rate expectations. That is, financial markets may interpret faster money growth as inflationary, and adjust borrowing rates upward accordingly. Higher rates limit economic recovery.

The catch, then, is that a recovery faces some possibility of rising short-term interest rates, whether money supply growth is restrictive or expansive. The danger is not that the recovery will be aborted; a good argument could be made that it has already started. Rather, the danger is that is may not prove long lived. The *Economic Forecasts* show a recovery continuing through the forecast horizon (fourth quarter of 1984). The median growth rates for real output are in a range of 3½% to 4% for the second and third quarters of this year, and 4% to 5% from the fourth quarter of 1983 to the fourth quarter of 1984. As has been demonstrated in the last few weeks, however, these forecasts are subject to revision. If interest rates do begin to climb again, real growth would undoubtedly be less than currently anticipated.

The anti-inflationary, restrictive monetary policy achieved a great deal. The inflation rate was not just stabilized, it was very substantially reduced. The price tag on that victory has been no small amount of economic pain and suffering. Nor is the bill marked "paid in full" at present—even if a recovery is getting under way and continues through the forecast horizon. As suggested earlier, gains in industrial production are likely to be modest in comparison with earlier recovery periods. Further, we are likely to see cyclical productivity gains this year on the order of 3% to 4% or so. That says, at least for a time, production may rise considerably faster than employment. The *Economic Forecasts* indicate that the unemployment rate may still be around 9% by the end of 1984.

The general consensus is that, for the time being, no further progress can be made in reducing inflation. The *Economic Forecasts* unanimously show the inflation rate rising slightly as the economy recovers. The median view is that the GNP deflator is rising at about a 5% rate in the first quarter of 1983 and that it will gradually increase to something a little over 6% through the forecast horizon. If this gradual rise in price increases could be expected to continue past the forecast horizon, then it would indicate that an accommodative money expansion now may not necessarily have all the impact monetarists would have us believe.

Ken Goldstein

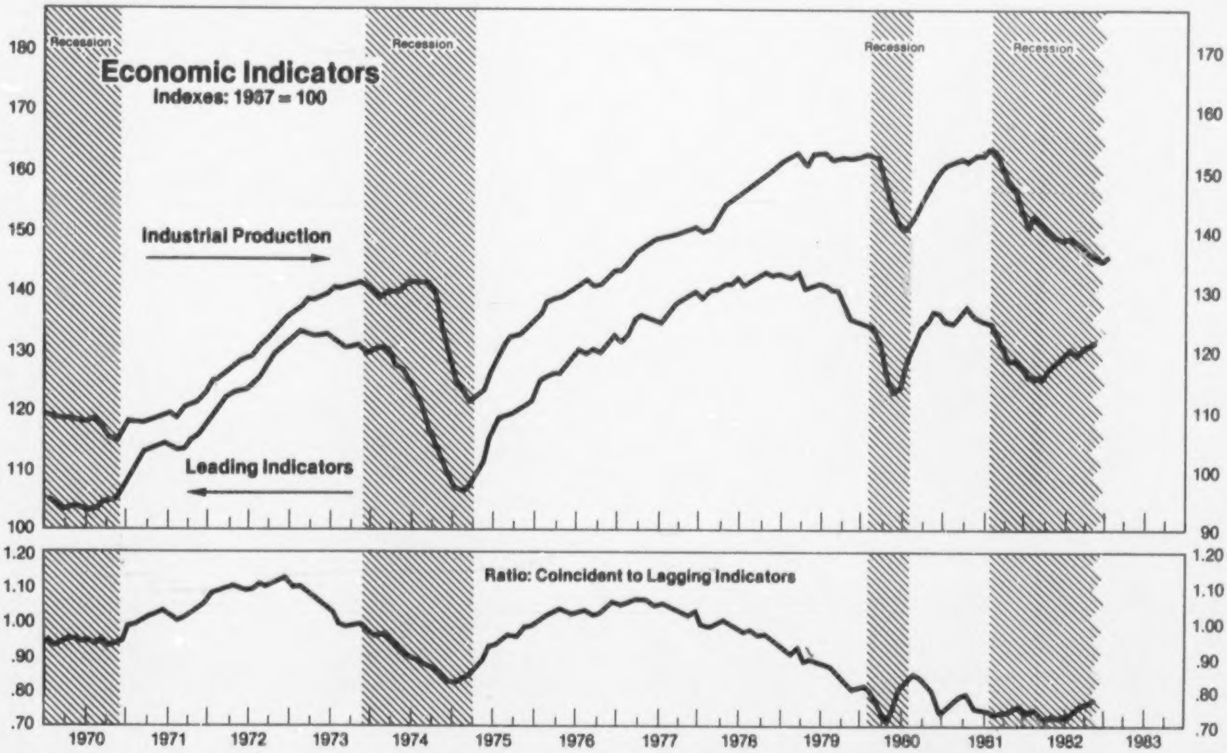


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Dec.	X			+ 2.0%	+ 4.5%
Capital Investment Commitments						
*Contracts & orders, plant & equipment (deflated)	Dec.	X			+12.3%	— 4.8%
New orders, nondefense capital goods (deflated)	Dec.	X			+10.6%	— 3.7%
*Net business formation	Dec.			X	— 5.7%	—12.6%
*Housing permits	Dec.	X			+30.1%	+63.7%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Dec.			X	— 4.9%	— 6.0%
*Change in inventory, on hand & order (deflated)	Nov.			X	— 4.3%	—18.0%
Purchasing agents' buying policy	Jan.		X		0 %	— 9 %
*Vendor performance, reported slower deliveries	Dec.			X	— 2 %	+ 8 %
Industrial raw materials prices	Jan.			X	— 2.3%	—12.7%
*Change in sensitive prices	Dec.		X		— 0.1%	— 0.9%
Sensitive Financial Flows						
*Money balance (M1-B deflated)	Dec.	X			+ 2.0%	+ 5.6%
Change in business loans	Jan.	X			+36.8%	+ 3.8%
*Change in liquid assets	Dec.			X	— 0.3%	— 0.3%
Change in consumer installment debt	Nov.	X			+29.5%	+23.1%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q		X		+ 1.6%	—24.3%
*Common stock prices	Jan.	X			+ 9.0%	+23.3%
Marginal Employment Adjustments						
*Average workweek, mfg.	Jan.	X			+ 0.9hr.	+ 2.1hr.
*Initial unemployment claims (inverted)	Jan.	X			+25.2%	+11.0%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) 1977, p. 15.

*These twelve series make up the Composite Leading Index charted below.



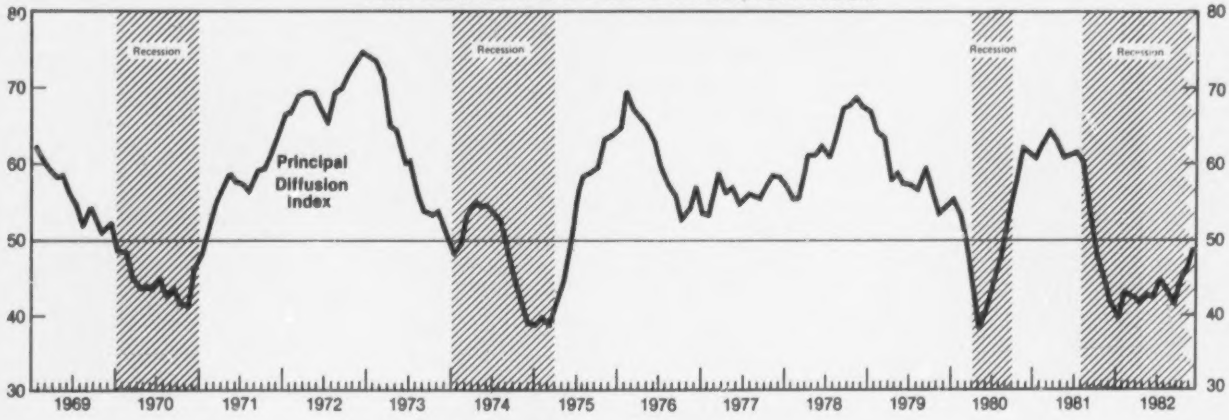
CONFERENCE BOARD DIFFUSION INDEXES

	1981	1982			
DIFFUSION INDEXES	**Dec.**	**Sept.**	**Oct.**	**Nov.**	**Dec.(e)**
Principal Diffusion Index	40.2r	41.6r	44.3r	46.2r	48.6
Auxiliary Diffusion Index	41.8r	46.0r	57.0r	56.0r	57.9
Industrial Group	33.1	33.5r	35.9r	39.2r	45.2
Nonindustrial Group	47.3r	49.7r	52.8r	53.2r	52.1
Sense of Diffusion	— 1	— 1	0	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	33.8	46.2	44.9	41.0r	44.7
Labor	28.8	19.7r	24.6r	33.5r	40.3
Miscellaneous	42.9	48.7	50.6	50.6	58.3
Nonindustrial Subgroups					
Prices	39.7	36.5	39.7	41.0	42.3
Consumer	58.5	63.2	69.7	74.8	69.2
Building	33.3	43.6	45.5r	46.2r	42.9
Miscellaneous	50.4r	49.1r	49.4r	44.4r	47.4

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1980			*1981*				*1982*			
	May	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*
					Score (scale 0-100)						
Measure of Business Confidence	29	49	63	58	61	57	43	47	52	55	60
1. Appraisal of Current Economic Conditions Compared With Six Months Ago.............	16	28	59	50	57	48	26	23	30	38	44
2. Expectations for Economy, Six Months Ahead....	31	60	67	63	64	63	51	59	64	65	70
3. Expectations for Own Industry, Six Months Ahead.......................	40	60	63	61	61	60	52	58	61	61	65

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1981				1982			Percent Change From Previous Year		
	I	II	III	IV	I	IIr	IIIp	1981 Actual	1982 Estimated	1983 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	27.696	28.060	26.938	22.992	25.767	19.331	18.709	2	−21	22
Capital expenditures	24.057	24.580	26.217	26.174	26.924	25.734	24.521	15	2	0
Change in appropriations backlog*	+ 2.714	+ 2.736	+ 1.164	−4.602	−1.629	−8.289	−8.999			
Durable Goods										
New appropriations	9.705	11.488	11.549	9.532	8.446	7.308	7.568	−5	−27	13
Capital expenditures	10.323	10.405	11.079	10.965	11.161	10.663	9.676	4	− 3	−1
Change in appropriations backlog*	−0.702	+ 0.757	+ 0.964	−1.953	−2.994	−4.165	−4.275			
Nondurable Goods										
New appropriations	17.991	16.572	15.389	13.460	17.321	12.023	11.141	7	−18	28
Capital expenditures	13.734	14.175	15.138	15.209	15.763	15.071	14.845	24	5	1
Change in appropriations backlog*	+ 3.416	+ 1.979	+ 0.200	−2.649	+ 1.365	−4.124	−4.724			
ELECTRIC & GAS UTILITIES										
New appropriations (r)	10.164	12.710	10.016	8.559	8.802	9.210	11.548			
Capital expenditures (r)	7.680	7.998	8.512	8.404	8.965	8.796	8.883			
Change in appropriations backlog* (r)	+ 1.728	+ 4.245	−6.994	−5.931	−5.773	−0.588	+ 1.953			

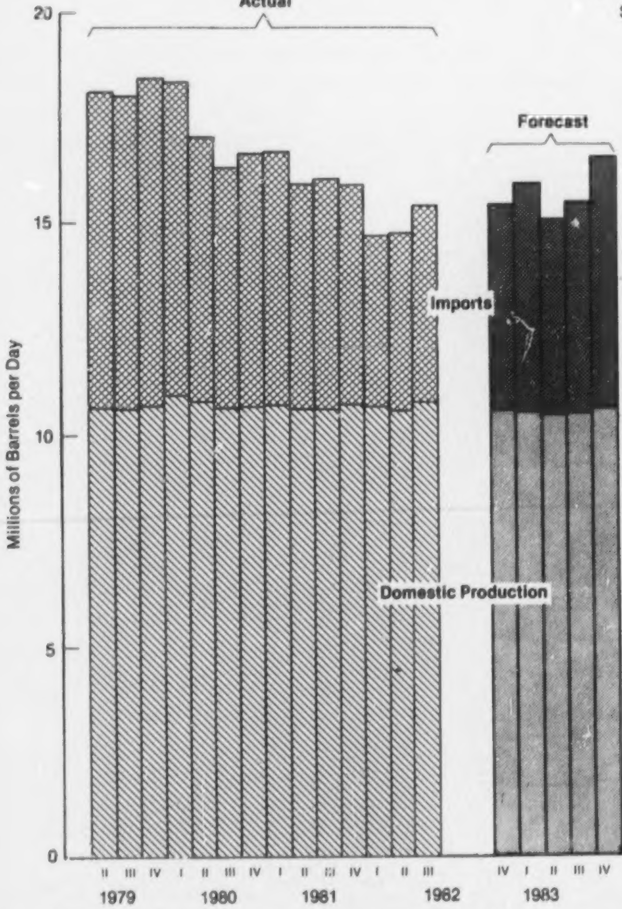
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

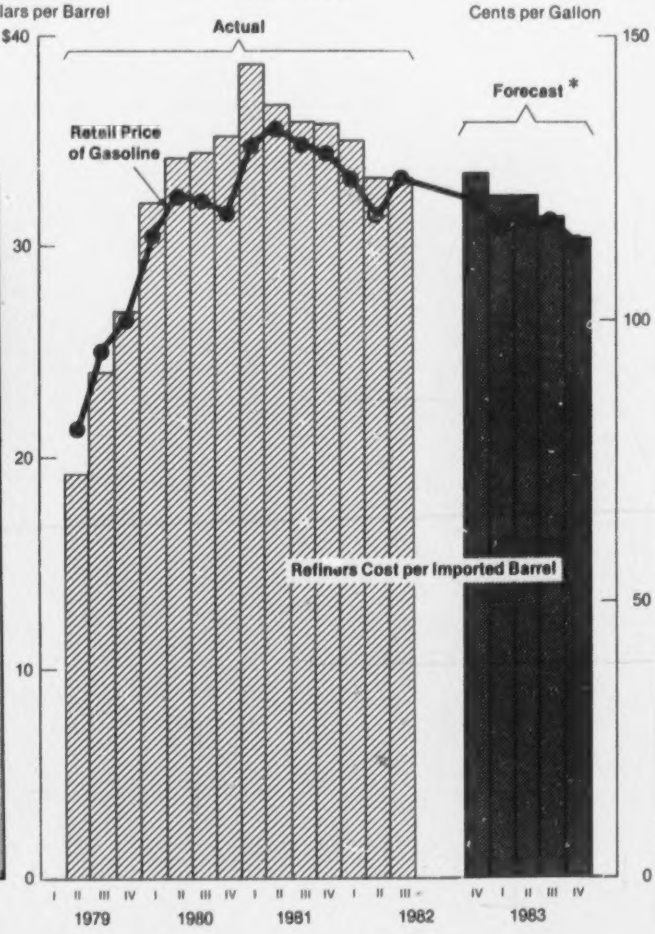
* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply

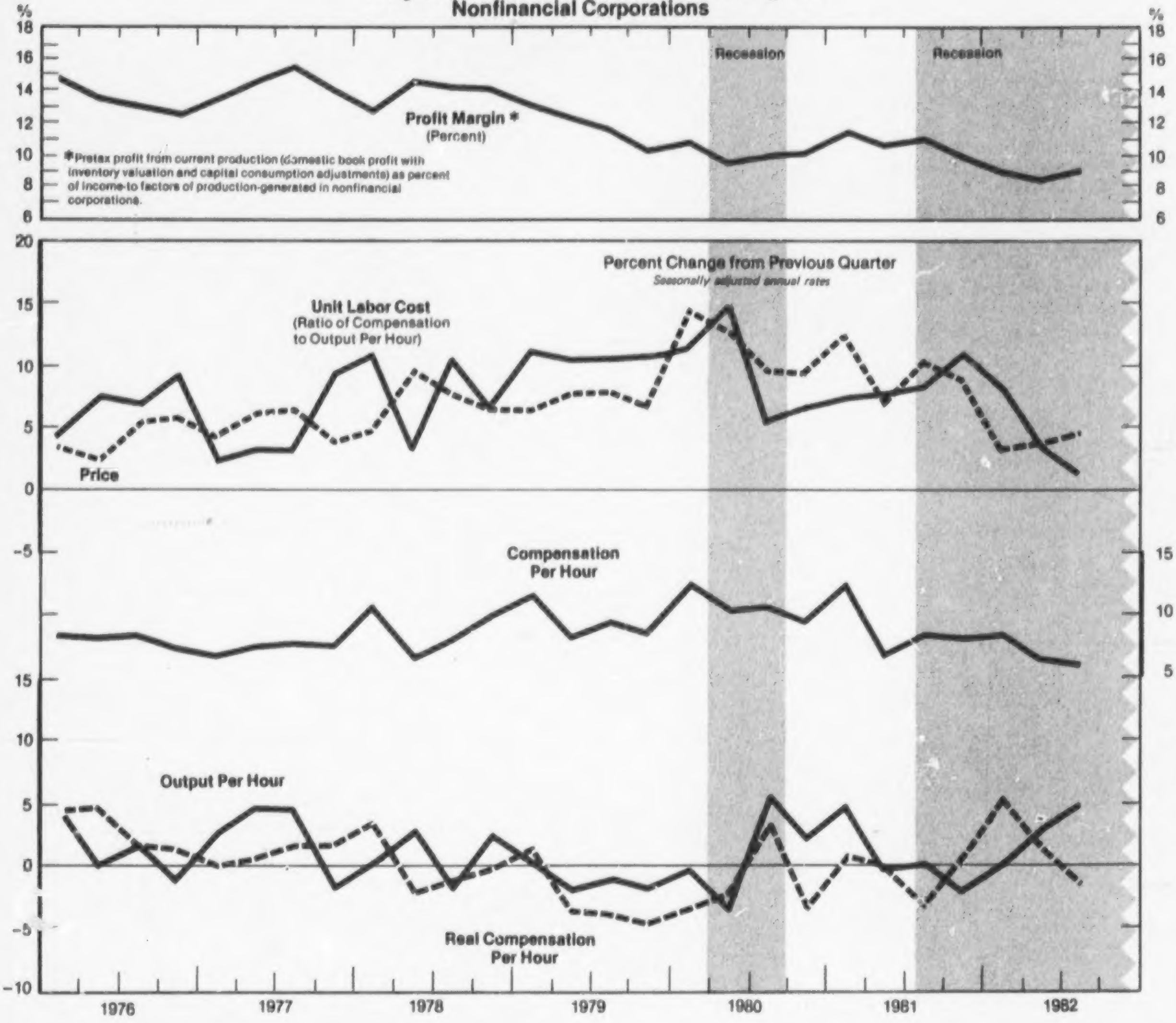


Oil Price



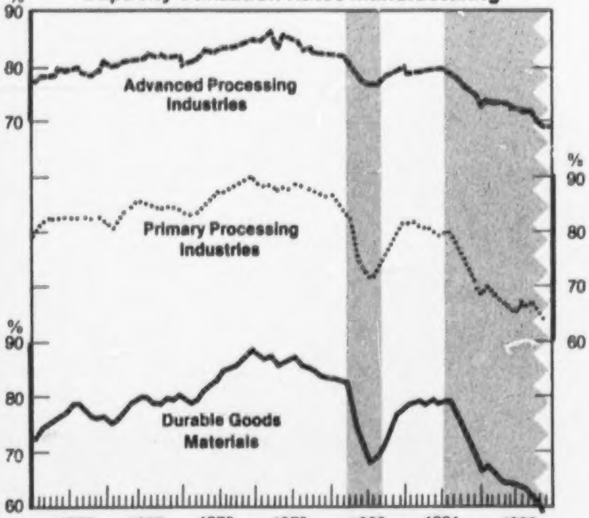
* Source of Forecast in The Energy Information Administration. Departmentof Energy.

Key Determinants of Profit Margin, Nonfinancial Corporations

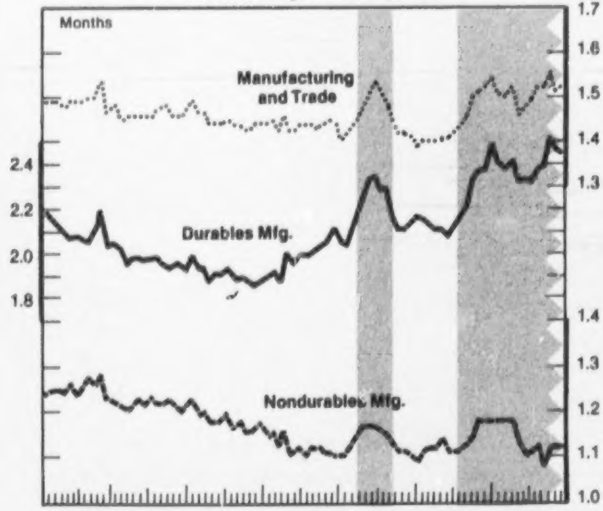


*Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income-to factors of production-generated in nonfinancial corporations.

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[1]		Merrill Lynch Economics Inc.[2]		Kent Economic Institute[1]		Georgia State University[1]	
Date of Forecast			*Jan., 1983*		*Jan., 1983*		*Jan., 1983*		*Jan., 1983*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1982**	**IV**	**$3101.3**	**1.7%**			**$3101.3**	**1.7%**	**$3101.3**	**1.7%**
Forecast	1983	I	3161.0	7.9	$3194.6	9.4%	3151.8	6.7	3159.1	7.7
		II	3240.7	10.5	3262.4	8.8	3238.3	11.4	3254.0	12.6
		III	3294.7	6.8	3348.7	11.0	3314.0	9.7	3323.5	8.6
		IV	3357.6	7.9	3435.7	10.8	3405.3	11.5	3418.4	11.9
	1984	I	3435.3	9.6	3513.5	9.4	3471.1	8.0	3490.5	8.7
		II	3517.9	10.0	3603.0	10.6	3558.4	10.4	3578.3	10.4
		III	3605.7	10.4			3684.0	14.9	3662.7	9.8
		IV	3697.9	10.6			3782.3	11.1	3743.7	9.1
	1982	**Annual**	**3057.5**	**4.1**			**3057.5**	**4.1**	**3057.5**	**4.1**
	1983	Annual	3263.5	6.7	3310.3	8.1	3277.3	7.2	3288.7	7.6
	1984	Annual	3564.2	9.2			3623.9	10.6	3618.8	10.0
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1982**	**IV**	**$1471.7**	**−2.5%**			**$1471.7**	**−2.5%**	**$1471.7**	**−2.5%**
Forecast	1983	I	1482.9	3.1	$1489.8	4.1%	1481.1	2.6	1482.0	2.8
		II	1499.8	4.6	1498.9	2.5	1493.0	3.3	1503.1	5.8
		III	1507.5	2.1	1517.8	5.1	1510.5	4.8	1515.5	3.3
		IV	1518.6	3.0	1532.5	3.9	1529.1	5.0	1537.2	5.9
	1984	I	1537.1	5.0	1546.1	3.6	1540.0	2.9	1548.1	2.9
		II	1556.9	5.3	1561.5	4.0	1553.2	3.5	1565.5	4.6
		III	1577.7	5.5			1569.0	4.1	1579.3	3.6
		IV	1596.9	5.0			1583.2	3.7	1589.4	2.6
	1982	**Annual**	**1475.5**	**−1.8**			**1475.5**	**−1.8**	**1475.5**	**−1.8**
	1983	Annual	1502.2	1.8	1509.7	2.3	1503.4	1.9	1509.4	2.3
	1984	Annual	1567.1	4.3			1561.3	3.9	1570.6	4.0
Gross National Product Deflator Index, 1972 = 100										
Actual	**1982**	**IV**	**210.7**	**4.3%**			**210.7**	**4.3%**	**210.7**	**4.3%**
Forecast	1983	I	213.2	4.7	214.4	5.0%	212.6	4.0	213.2	4.7
		II	216.1	5.6	217.7	6.1	216.9	7.9	216.5	6.4
		III	218.6	4.7	220.6	5.6	219.4	4.7	219.3	5.3
		IV	221.1	4.7	224.2	6.6	222.7	6.2	222.4	5.7
	1984	I	223.5	4.4	227.2	5.6	225.4	4.9	225.5	.7
		II	226.0	4.5	230.7	6.3	229.1	6.7	228.6	5.6
		III	228.5	4.7			234.6	10.3	231.9	6.0
		IV	231.6	5.4			238.9	7.2	235.5	6.4
	1982	**Annual**	**207.2**	**6.0**			**207.2**	**6.0**	**207.2**	**6.0**
	1983	Annual	217.2	4.8	219.3	5.7	218.0	5.2	217.9	5.1
	1984	Annual	227.4	4.7			232.1	6.5	230.4	5.8
Unemployment Rate										
Actual	**1982**	**IV**	**10.7%**		**10.7%**		**10.7%**		**10.7%**	
Forecast	1983	I	11.0		10.9		10.9		10.9	
		II	10.7		10.7		10.3		10.8	
		III	10.5		10.5		9.9		10.6	
		IV	10.3		10.2		9.5		10.5	
	1984	I	10.1		10.0		9.3		10.4	
		II	9.8		9.8		9.1		10.3	
		III	9.5				8.5		10.1	
		IV	9.2				8.2		9.9	
	1982	**Annual**	**9.7**		**9.7**		**9.7**		**9.7**	
	1983	Annual	10.6		10.6		10.2		10.7	
	1984	Annual	9.6				8.8		10.2	

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (2nd revision) third quarter data.

[2] Based on preliminary fourth quarter data.

ECONOMIC FORECASTS (continued)

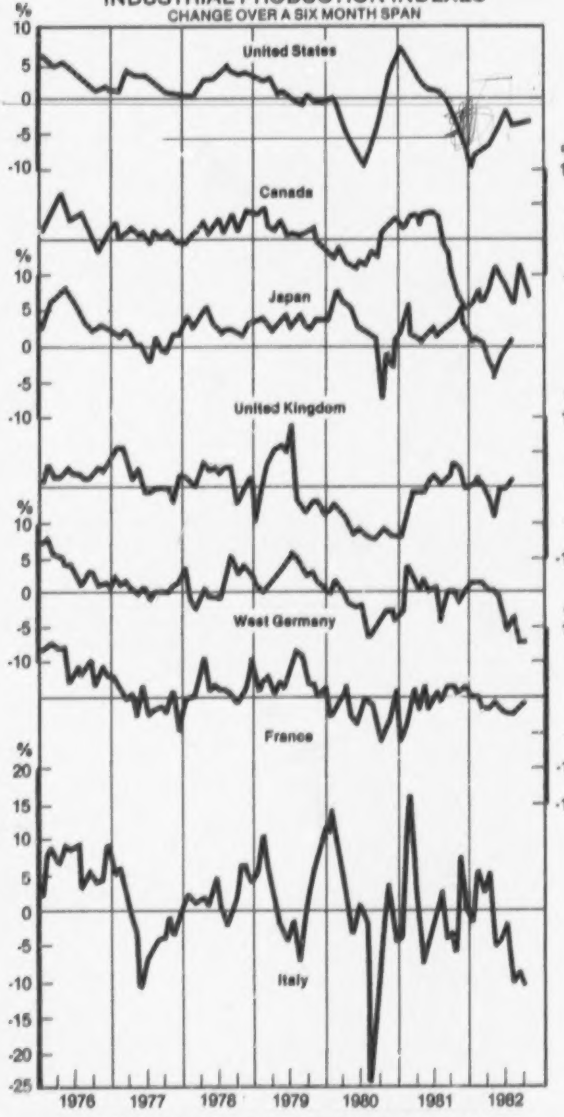
The Conference Board[1]		Chase Econometric Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Jan., 1982		*Jan., 1982*		*Jan., 1982*		*Jan., 1982*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3101.3	**1.7%**	**$3101.3**	**1.7%**	**$3101.3**	**1.7%**	**$3101.3**	**1.7%**	**IV**	**1982**	**Actual**
3176.0	10.0	3167.1	8.8	3160.8	7.9	3163.4	8.3	I	1983	Forecast
3269.0	12.2	3231.4	8.4	3244.3	11.0	3228.9	8.5	II		
3339.0	8.8	3309.6	10.0	3294.8	6.4	3304.6	9.7	III		
3409.0	8.7	3396.7	10.9	3379.3	10.7	3392.7	11.1	IV		
3485.0	9.2	3482.5	10.5	3466.0	10.7	3481.3	10.9	I	1984	
3578.0	11.1	3577.3	11.3	3551.2	10.2	3578.1	11.6	II		
3665.0	10.1	3674.2	11.3	3640.6	10.5	3670.0	10.7	III		
3754.0	10.1	3776.6	11.6	3735.8	10.9	3767.6	11.1	IV		
3057.5	**4.1**	**3057.5**	**4.1**	**3057.5**	**4.1**	**3057.5**	**4.1**	**Annual**	**1982**	
3298.2	7.9	3276.2	7.2	3269.8	6.9	3272.4	7.0	Annual	1983	
3620.5	9.8	3627.6	10.7	3598.4	10.1	3624.2	10.8	Annual	1984	
								Gross National Product Billions of Constant (1972) Dollars		
$1471.7	**−2.5%**	**$1471.7**	**−2.5%**	**$1471.7**	**−2.5%**	**$1471.7**	**−2.5%**	**IV**	**1982**	**Actual**
1489.0	4.8	1485.3	3.7	1481.6	2.8	1486.7	4.1	I	1983	Forecast
1513.9	6.8	1497.0	3.2	1491.8	2.7	1501.6	4.1	II		
1526.0	3.2	1512.1	4.1	1505.9	3.8	1519.0	4.7	III		
1534.6	2.3	1529.2	4.6	1523.8	4.8	1538.8	5.3	IV		
1547.6	3.5	1545.5	4.3	1540.7	4.5	1558.6	5.2	I	1984	
1567.0	5.0	1564.6	5.0	1558.8	4.8	1579.8	5.6	II		
1584.4	4.5	1581.3	4.3	1577.6	4.9	1597.7	4.6	III		
1602.2	4.5	1596.8	4.0	1595.5	4.6	1615.5	4.5	IV		
1475.5	**−1.8**	**1475.5**	**−1.8**	**1475.5**	**−1.8**	**1475.5**	**−1.8**	**Annual**	**1982**	
1515.9	2.7	1505.9	2.1	1500.8	1.7	1511.5	2.4	Annual	1983	
1575.3	3.9	1572.0	4.4	1568.1	4.5	1587.9	5.1	Annual	1984	
								Gross National Product Deflator Index, 1972 = 100		
210.7	**4.3%**	**210.7**	**4.3%**	**210.7**	**4.3%**	**210.7**	**4.3%**	**IV**	**1982**	**Actual**
213.3	5.0	213.2	4.8	213.3	5.0	212.8	4.0	I	1983	Forecast
215.9	5.0	215.9	5.0	217.5	8.0	215.0	4.3	II		
218.8	5.4	218.9	5.7	218.8	2.4	217.6	4.8	III		
222.1	6.3	222.1	6.1	221.8	5.6	220.5	5.5	IV		
225.2	5.6	225.3	5.9	225.0	5.9	223.4	5.3	I	1984	
228.3	5.7	228.6	6.0	227.8	5.2	226.5	5.7	II		
231.3	5.3	232.4	6.7	230.8	5.3	229.7	5.8	III		
234.3	5.3	236.5	7.4	234.1	6.0	233.2	6.3	IV		
207.2	**6.0**	**207.2**	**6.0**	**207.2**	**6.0**	**207.2**	**6.0**	**Annual**	**1982**	
217.6	5.0	217.6	5.0	217.9	5.1	216.5	4.5	Annual	1983	
229.8	5.6	230.8	6.1	229.5	5.3	228.2	5.4	Annual	1984	
								Unemployment Rate		
10.7%		**10.7%**		**10.7%**		**10.7%**		**IV**	**1982**	**Actual**
10.6		11.1		11.0		10.8		I	1983	Forecast
10.2		11.0		10.7		10.6		II		
10.0		10.8		10.5		10.5		III		
10.0		10.6		10.3		10.4		IV		
9.9		10.3		10.1		10.2		I	1984	
9.6		10.0		9.7		9.7		II		
9.4		9.7		9.4		9.3		III		
9.2		9.4		9.1		8.8		IV		
9.7		**9.7**		**9.7**		**9.7**		**Annual**	**1982**	
10.2		10.9		10.6		10.6		Annual	1983	
9.5		9.8		9.6		9.5		Annual	1984	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900

SELECTED INTERNATIONAL COMPARISONS

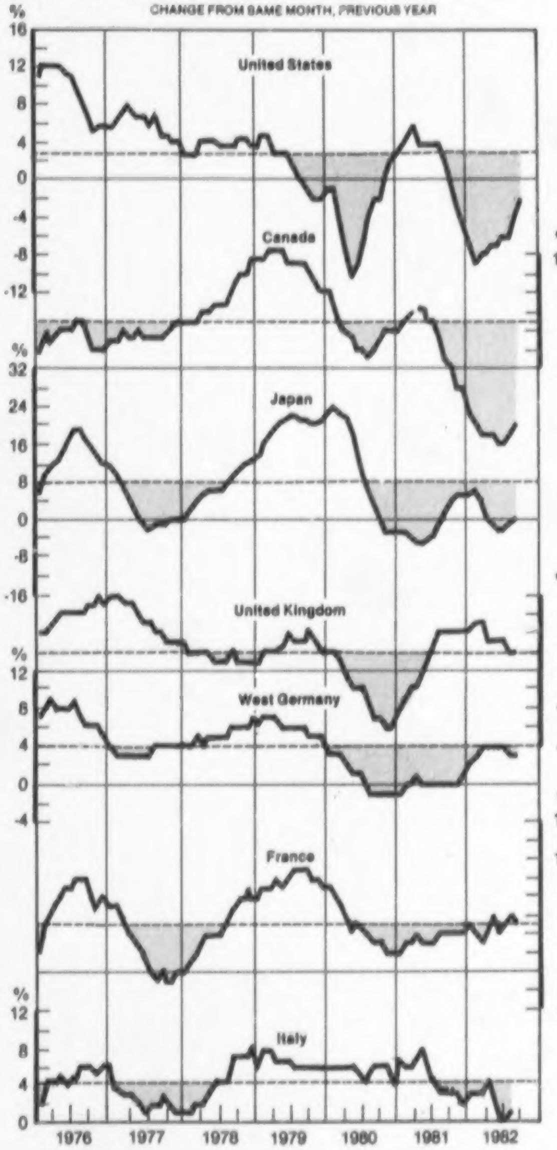
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



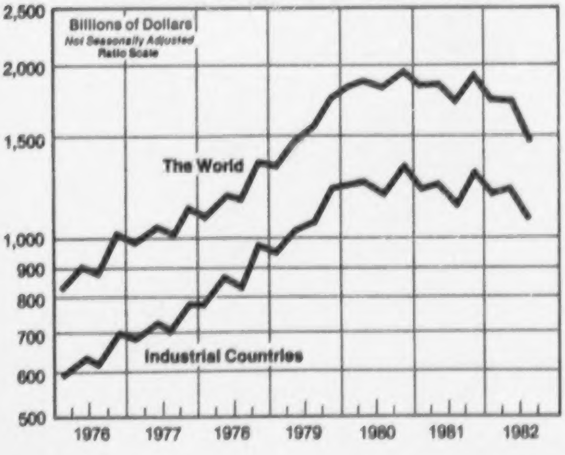
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM SAME MONTH, PREVIOUS YEAR

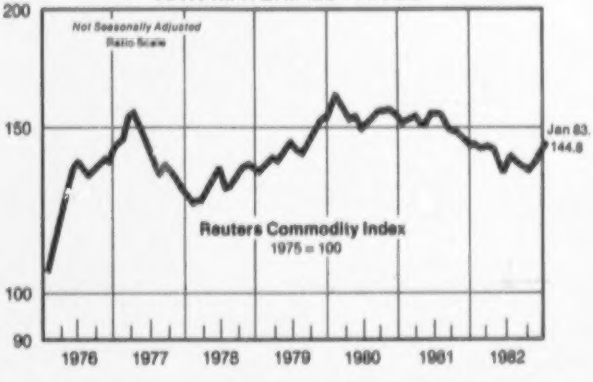


Source: Center for International Business Cycle Research, Rutgers University

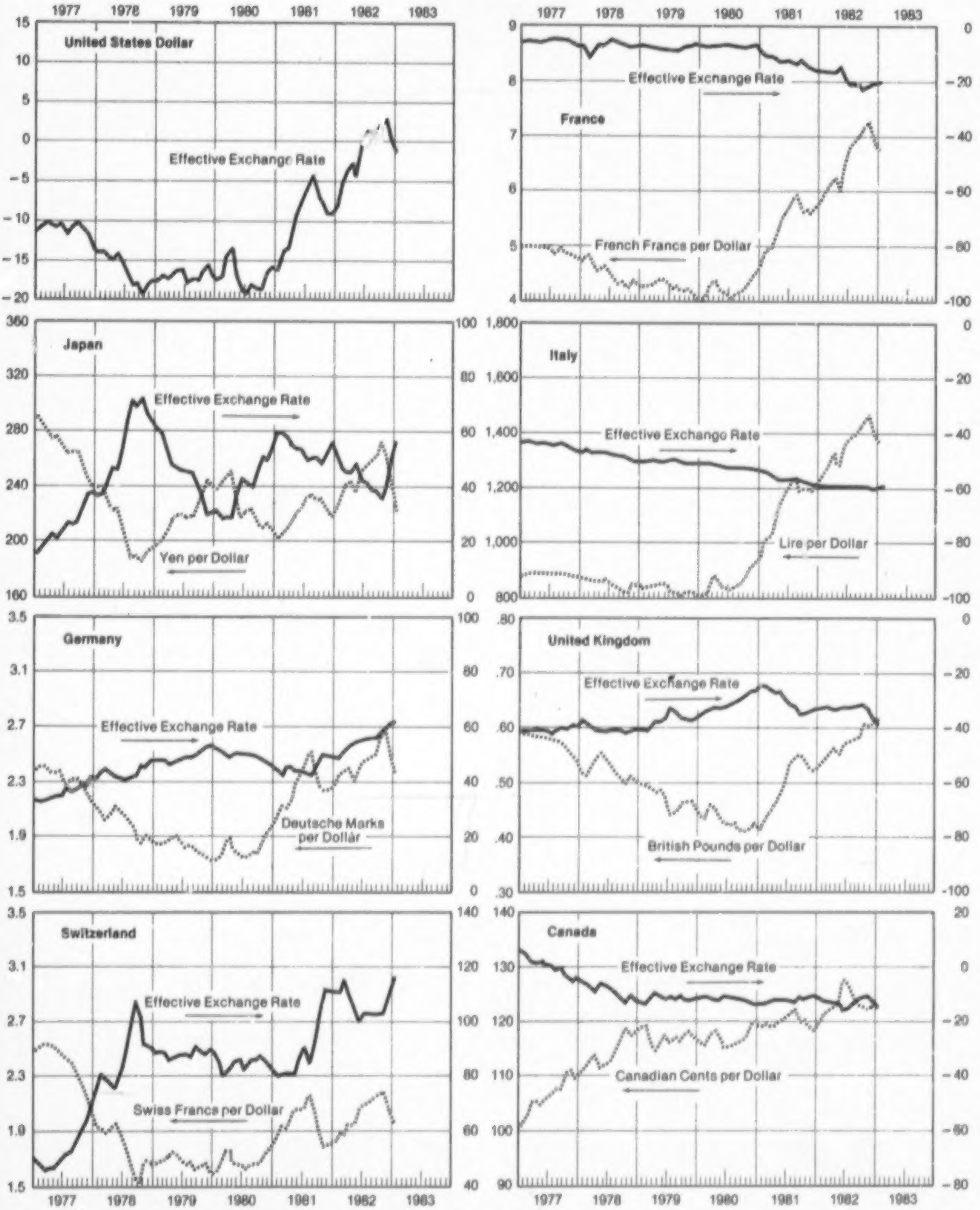
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies, weighted according to the average bilateral manufactures trade of 1976. Changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

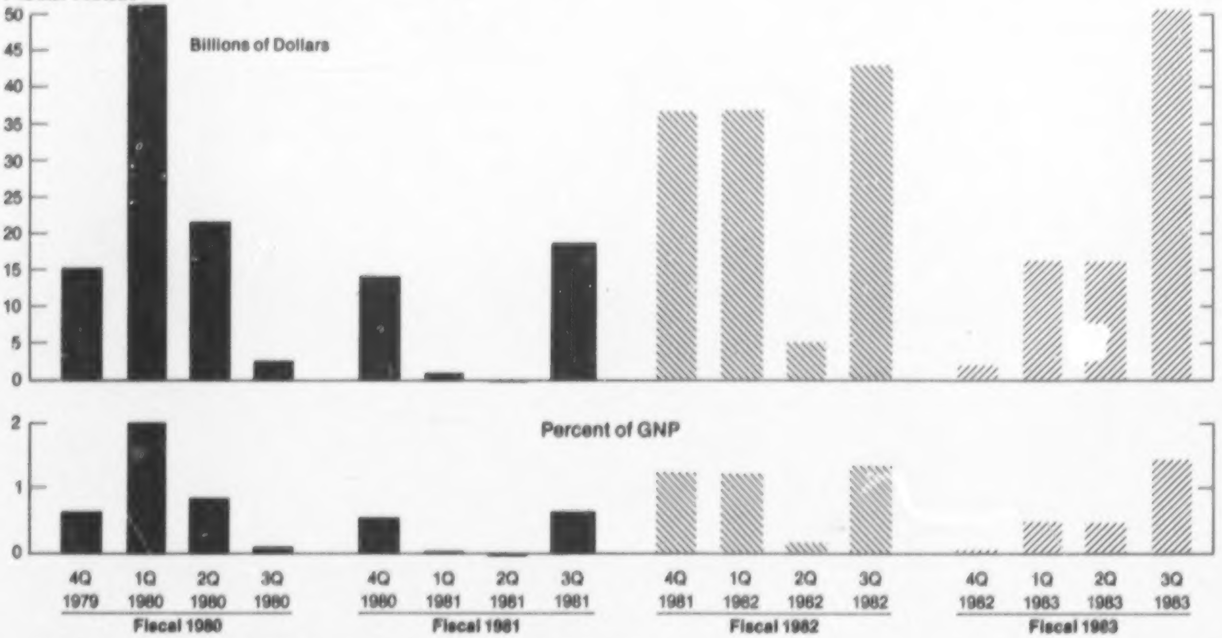
Source: Morgan Guaranty Trust

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

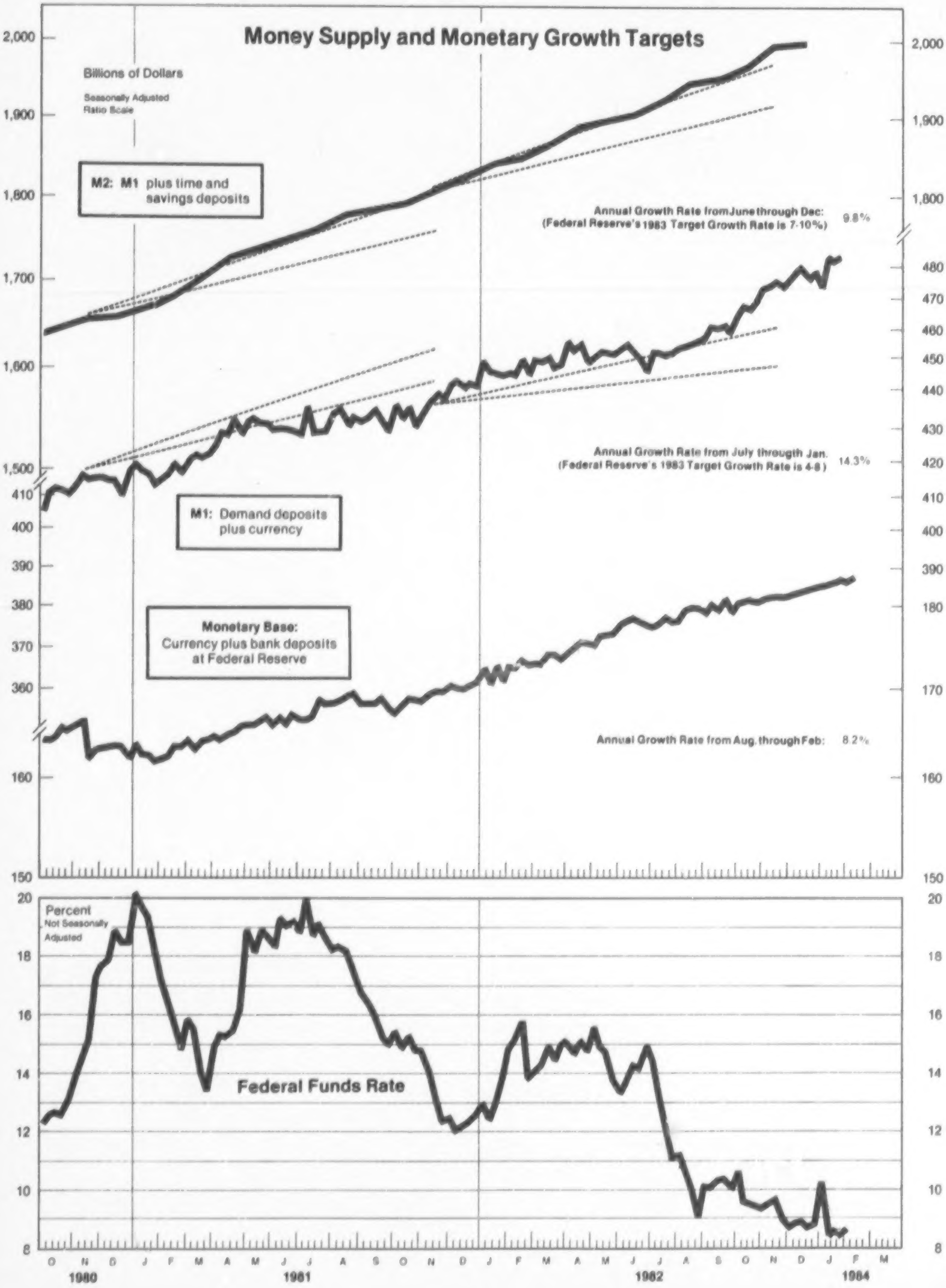
	Fiscal 1982	Fiscal 1983		Fiscal 1984		
	Actual	*President's Proposal*	*Congressional Estimate*	*Current Services*	*President's Proposal*	*Congressional Estimate*
	(10/26/82)	*(1/31/83)*	*(9/1/82)*	*(1/31/83)*	*(1/31/83)*	*(9/1/82)*
Receipts	**$617.8**	**$597.5**	**$633.0**	**$648.8**	**$659.7**	**$692.0**
Outlays	**728.4**	**805.2**	**788.0**	**880.3**	**848.5**	**844.0**
Deficit	**−110.6**	**−207.7**	**−155.0**	**−231.5**	**−188.8**	**−152.0**
Receipts by source	**617.8**	**597.5**	**633.0**	**648.8**	**659.7**	**692.0**
Individual income taxes	298.1	285.2	298.0	295.8	295.6	316.0
Corporate income taxes	49.2	35.3	47.0	51.9	51.8	63.0
Social insurance	201.1	210.3	217.0	231.7	242.9	240.0
Other receipts	69.4	66.7	71.0	69.4	69.4	73.0
Outlays by function	**728.4**	**805.2**	**788.0**	**880.3**	**848.5**	**844.0**
Income security	248.8	282.5	270.0	289.7	282.4	285.0
National defense	187.4	214.8	216.0	253.7	245.3	245.0
Health	74.0	82.4	79.0	92.9	90.6	87.0
Veterans' benefits	24.0	24.4	24.0	26.1	25.7	25.0
Education and manpower	25.4	26.7	27.0	27.1	25.3	27.0
Transportation	20.6	21.9	20.0	26.1	25.1	20.0
International affairs	10.0	11.9	12.0	12.8	13.2	12.0
Agriculture	14.8	21.1	15.0	15.3	12.1	10.0
Natural resources and environment	13.1	12.1	11.0	11.2	9.8	10.0
General science	7.1	7.8	8.0	8.1	8.2	8.0
Community development	7.4	7.4	8.0	7.2	7.0	8.0
Revenue sharing	6.2	6.4	6.0	7.2	7.0	7.0
General government	4.8	5.8	5.0	5.9	6.0	5.0
Justice	4.6	5.3	5.0	5.5	5.5	4.0
Energy	4.8	4.5	5.0	4.1	3.3	3.0
Commerce and housing credit	3.8	1.9	2.0	2.1	0.4	3.0
Interest	100.8	88.9	115.0	105.2	103.2	132.0
Allowances	—	—	−3.0	1.9	0.9	−2.0
Undistributed offsetting receipts	−29.3	−20.4	−36.0	−21.6	−22.8	−43.0

Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York: 1981



Money Supply and Monetary Growth Targets

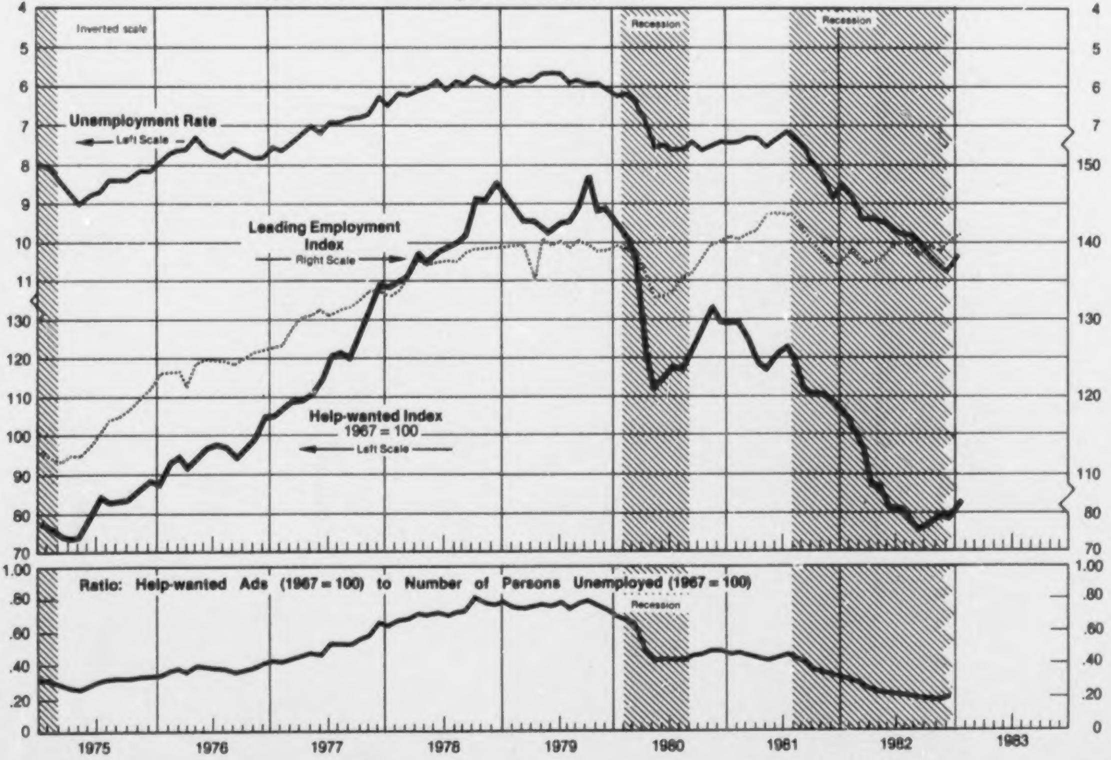
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1982			1981
	Dec.	Nov.	Oct.	Dec.
Total Index				
51 papers	83	78	76	109
New England	86	80	77	96
Boston	93	86	85	103
Hartford	94	87	81	109
Providence	54	51	47	60
Middle Atlantic	45	43	42	56
Albany	76	74	67	88
Allentown	94	80	84	109
New York	41	39	39	51
Philadelphia	40	38	36	47
Pittsburgh	49	42	42	63
Rochester	53	50	49	65
Syracuse	66	65	64	87
East North Central	47	43	42	60r
Chicago	45	40	41	63
Cincinnati	66	58	52	71
Cleveland	39	33	35	50
Columbus	70	71	66	89
Dayton	45	44	43	49
Detroit	34	29	29	46
Gary	107	99	87	108
Indianapolis	47	54	49	57
Milwaukee	37	31r	31	46
Toledo	64	63	61	76
West North Central	45	41	41	58
Kansas City	68	60	57	85
Minneapolis	33	30	30	47
Omaha	75	69	72	77
St. Louis	33	31	35	49
South Atlantic	94	88	85	103
Atlanta	148	141	134	167
Baltimore	71	65	60	68
Charlotte	75	73r	72	94
Jacksonville	142	124	104	138
Miami	60	60	60	82
Richmond	56	51	52	60
Washington, D.C.	94	90	88	102
East South Central	82	76	76	97
Birmingham	91	79	75	106
Knoxville	132	124	123	169
Louisville	46	44	44	52
Memphis	71	67	66	87
Nashville	102	94	101	115
West South Central	205	184	181	312
Dallas	255	221	214	283
Houston	272	248	245	473
New Orleans	112	101	106	161
Oklahoma City	143	136	122	263
San Antonio	121	116	124	172
Tulsa	118	102	98	268
Mountain	152	154	141	226
Denver	n.a.	114	105	200
Phoenix	185	194	180	243
Salt Lake City	181	173	156	254
Pacific	118	114	114	160r
Los Angeles	89	89	90	131
Sacramento	212	200	184	246
San Bernardino	96	97	100	116
San Diego	223	204	217	281r
San Francisco	114	120	116	154
Seattle	160	133	130	160r
Percentage of papers with rising volume	84%	63%	76%	37%
Unemployment rate	10.8%	10.7%	10.5%	8.8%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1981	70.0	63.5	71.8	75.0	79.9	79.6	78.6	78.6	70.4	67.4	61.6	59.4
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5r
1983	57.6p											

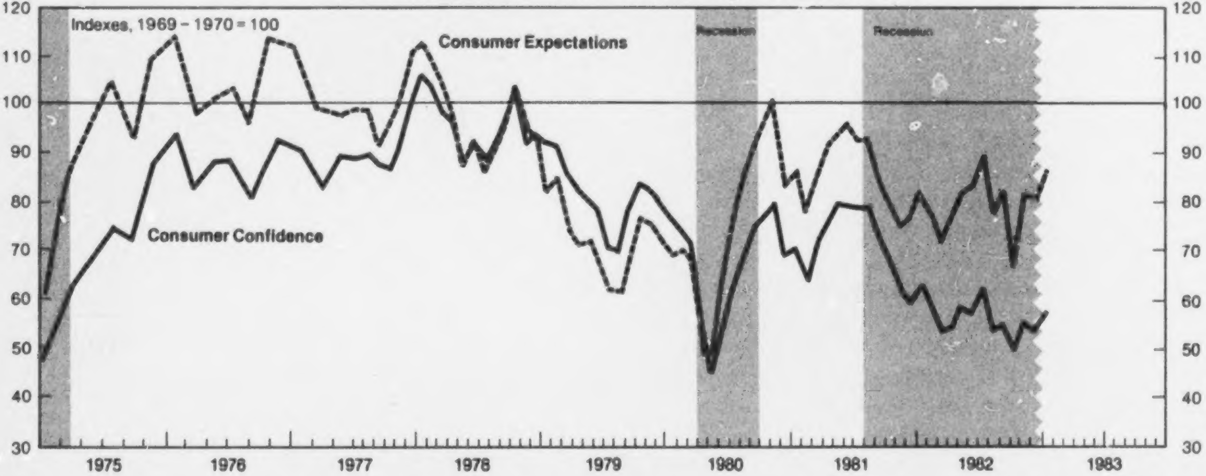
Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1981	87.5	90.5	98.0	85.9	84.8	89.5	78.7	96.7	90.3	86.2	89.8	99.2
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2r
1983	66.3p											

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

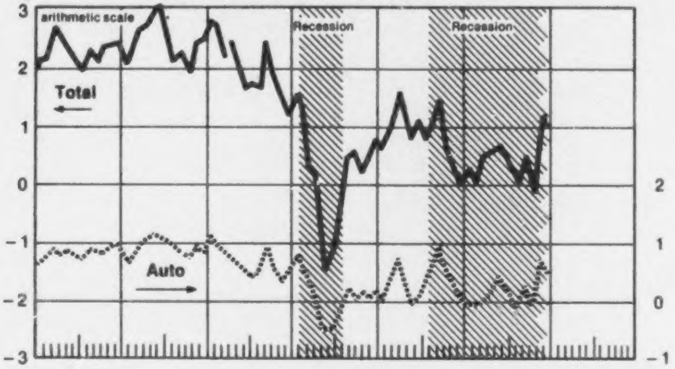
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IIIr	$1689.8	$608.4	$422.9	$185.5	69.5%	25.0%	15.5%	9.2%
	IVr	1714.9	604.0	437.0	167.0	72.3	25.5	14.0	8.5
1979	Ir	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	IIr	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	IIIr	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IVr	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	Ir	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	IIr	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	IIIr	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IVr	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	Ir	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	IIr	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	IIIr	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IVr	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2319.9	746.3	530.1	216.2	71.0	22.9	13.2	11.6
	IIr	2365.2	752.8	543.0	209.8	72.1	23.0	13.6	11.0
	IIIp	2436.8	798.3	550.6	247.7	69.0	22.6	14.4	12.6

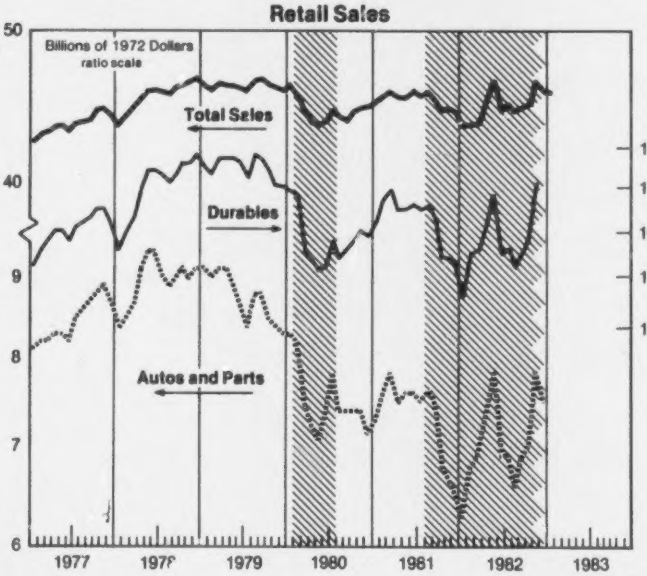
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin.*

P—Praliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



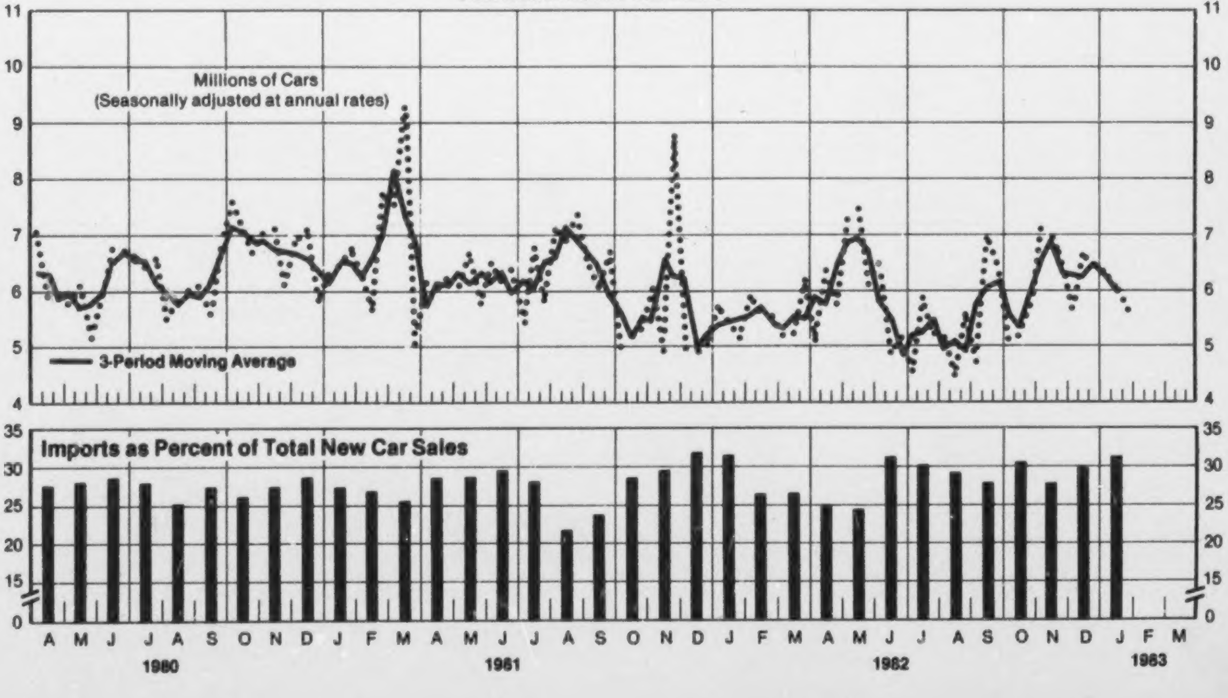
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1980	1981	1982	1983
January:	1-10	7.87	6.27	5.66	6.30
	11-20	7.08	6.44	5.43	6.03
	21-31	9.17	6.74	5.17	5.63
February:	1-10	6.88	6.30	5.88	
	11-20	8.28	5.65	5.61	
	21-28(29)	6.36	7.70	5.54	
March:	1-10	6.98	7.55	5.18	
	11-20	7.18	9.29	5.24	
	21-31	6.12	5.02	6.16	
April:	1-10	7.02	6.18	5.11	
	11-20	5.94	6.01	6.38	
	21-30	5.90	6.22	5.77	
May:	1-10	5.78	6.09	7.26	
	11-20	6.10	6.64	7.47	
	21-31	5.17	5.76	6.06	
June:	1-10	5.95	6.50	6.51	
	11-20	6.78	6.18	4.83	
	21-30	6.74	6.35	5.17	
July:	1-10	6.60	5.45	4.54	
	11-20	6.41	6.78	5.88	
	21-31	6.59	5.80	5.22	
August:	1-10	5.44	7.08	5.18	
	11-20	5.81	6.91	4.48	
	21-31	6.00	7.38	5.58	
September:	1-10	6.05	6.57	4.70	
	11-20	5.58	6.09	6.95	
	21-30	6.74	6.67	6.49	
October:	1-10	7.60	4.98	5.09	
	11-20	7.09	5.18	5.16	
	21-31	6.49	5.32	5.68	
November:	1-10	7.03	6.05	7.10	
	11-20	7.10	4.93	6.94	
	21-30	6.11	8.75	6.49	
December:	1-10	6.88	4.98	5.64	
	11-20	7.08	4.88	6.62	
	21-31	5.81	5.03	6.46	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



STATISTICAL BULLETIN

Volume 16, No. 3, March, 1983

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The Conference Board

STATISTICAL REFERENCE INDEX
ACQUISITIONS
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BETHESDA, MD. 20814

COMMENT

The recovery, which began in January, has certainly gotten off to a quicker start than had been anticipated. This results in part from a more pronounced swing in the inventory cycle than almost anyone had expected. It also results from a much stronger rebound in home construction than anyone thought possible, given the still high real borrowing rates for both builders and potential home buyers. Further, the cyclical turnaround is receiving the benefit of both a stimulative fiscal policy—though not entirely by design—and an expansive monetary policy.

Only a short while ago, the consensus was that recovery would be relatively weak because it was expected to have to develop out of the economy's own internal dynamic and without much policy stimulus. Now, with the benefit of hindsight, it seems safe to say that the underlying strength of the system is more vigorous than many had thought earlier. Moreover, policy is undeniably more accommodative than many thought it would be at this juncture. And the drop in the price of imported oil serves as an additional exogenous stimulant. One potential stumbling block in the path of economic expansion is the risk of some increase in interest rates in the second half of the year.

The *Economic Forecasts* have been revised upward significantly not only with regard to current conditions but throughout the forecast horizon (first quarter of 1985). The effect of this upward revision can be seen clearly in the accompanying charts. The median for real growth in output from the fourth quarter of 1982 to the fourth quarter of 1983 is now about 4½%, one-half percentage point higher than earlier estimates. While that growth rate is fairly strong, and suggests a considerably more vigorous recovery than forecasters had been expecting, it must be pointed out that it still remains below the record of performance in past early-recovery periods. Further, this revised forecast of a faster pace of recovery implies that unemployment will only drop to about 10% by the fourth quarter of 1983, barely lower than the earlier projection. Thus, the *Economic Forecasts* continue to hold the view that production is going to rise considerably faster than employment throughout the year. Put another way, the forecasters believe substantial cyclical gains in productivity will be achieved this year. That will help to limit the rise in unit labor cost which, together with some decline in energy prices, will help to keep a lid on overall price increases. The *Economic Forecasts* expect that inflation, from the fourth quarter of 1982 to the fourth quarter of 1983, will be held to 4½%, almost one percentage point lower than earlier projections. As shown in the accompanying chart, the forecasts have consistently underestimated the extent to which the inflationary fires have been dampened.

The assessment of real growth in 1984 has not been changed. The median of the *Economic Forecasts* for real output growth from the fourth quarter 1983 to the fourth quarter of 1984 is 4.4%, the same as last month's forecast median. Putting these growth prospects in perspective, the earlier view was that the economy's recovery would gradually build up momentum in 1983, reach a 4½% pace by the end of the year, and maintain that pace through 1984. But given the recovery's strong start and the stimulative impact of policy, as well as the impact of lower energy prices, it now appears that that pace has been achieved in the first quarter of 1983 and is likely to be maintained through the rest of this year and next. Furthermore, it will be accomplished without much of an increase in inflation and with a slightly faster pace of improvement in unemployment. The median expectation for inflation from the fourth quarter of 1983 to the fourth quarter of 1984 is 5½%, and unemployment is expected to fall to just under 9% by the fourth quarter of 1984. The necessary ingredient in this appetizing offering is a strong pick-up in consumer demand.

The reason often given for the delayed start of a consumer-led recovery was that consumers had the means but not the inclination to spend. Things have changed. Consumers have become more optimistic about economic conditions but gains in real spending power have slowed. Actually, consumers' assessment of current conditions is as bleak as ever, but consumers are more convinced than ever that conditions are going to improve shortly. The *Expectations Index* rose to 99.1 (1969-1970 = 100) in February, compared with its recent

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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25 McArthur Road
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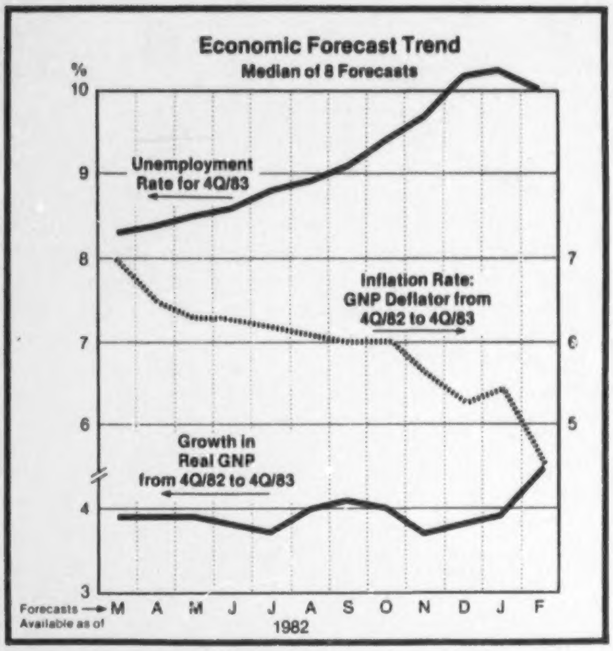
845 Third Avenue
New York, New York 10022

The Conference Board, Inc.
Avenue Louise, 207 Bte 5
B-1050 Brussels, Belgium



low reading of 73.7 in October. The improvement in this measure accounts for the gain in the overall confidence measure. The Conference Board's *Consumer Confidence Index* has improved in three of the last four months. It reached a level of 64.8 in February, compared with a reading of 49.7 in October.

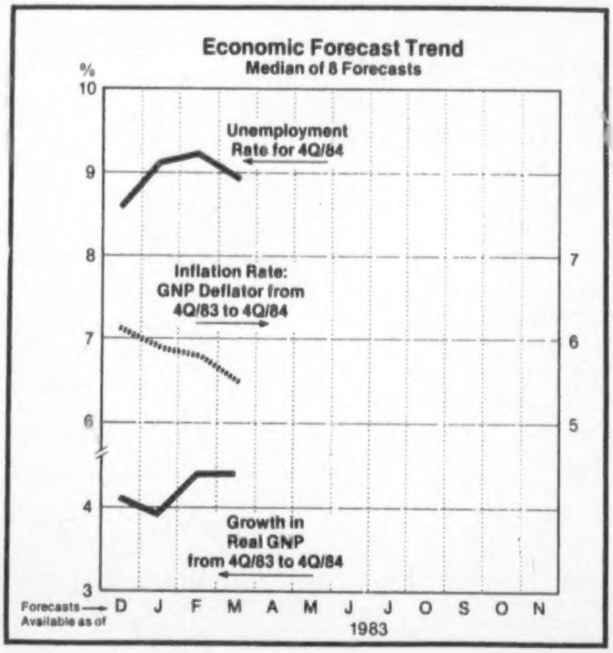
Personal Income, adjusted for inflation, was only 0.7% higher in January than three months earlier. As shown on the *Key Determinants of Profit Margins* chart, real compensation per hour has been increasing faster than that, but the decline in employment has moderated the rate of gain in aggregate real income. The outlook for some rise in employment, then, means aggregate income could rise a little faster even if wage increases do not accelerate.

Retail sales, adjusted for inflation, rose sharply in November but then declined slightly in the three succeeding months. Nevertheless, real retail sales were 2½% higher in February than last October. Domestic *Automobile Sales* have been especially disappointing. As long ago as last September, sales had reached an average annual rate of 6½ million cars, and it was thought that the rate would improve to about 8½ million during 1983. The average rate in February, however, was a little less than 5½ million cars. Nor have lackluster sales affected only the domestic models. Sales of new foreign models had been running at or a little above a 2-millon car rate through last Fall. The sales rate increased to something closer to 2½ million but then fell to only 2.3 million in February. Automobile dealers have been worried for some time about high auto-loan rates and tried, for a while, a novel marketing approach of discounting loan rates rather than sticker prices. Those campaigns ended in January and sales slumped considerably in February. High borrowing rates on consumer installment loans are obviously hurting car sales in particular and limiting improvement in consumer spending in general.

Despite weak consumer demand to date, industrial production rose in February for the third straight month. This strongly suggests that the considerable inventory liquidation in the fourth quarter of 1982 ended in the first quarter of 1983. If production continues to expand, as expected, in the remainder of this year, consumer demand must begin to strengthen.

The data on the *Money Supply and Monetary Targets* chart show that the money aggregates continued to expand at a rapid pace through February. Some of that expansion is offset by a recent decline in velocity—the rate at which money changes hands. Nevertheless, in public statements, the Federal Reserve has expressed a desire to slow the rate of money expansion. Its problem is how to rein in money growth without having interest rates move up again. Yet, not slowing money growth could generate nervous concern about higher inflation down the road. And inflation expectations readily link to interest-rate expectations. While short-term interest rates in general have come way down, and may move a little lower in the first half of 1983, they could move back up—perhaps by half a percentage point—in the second half of the year.

Ken Goldstein
March 17, 1983

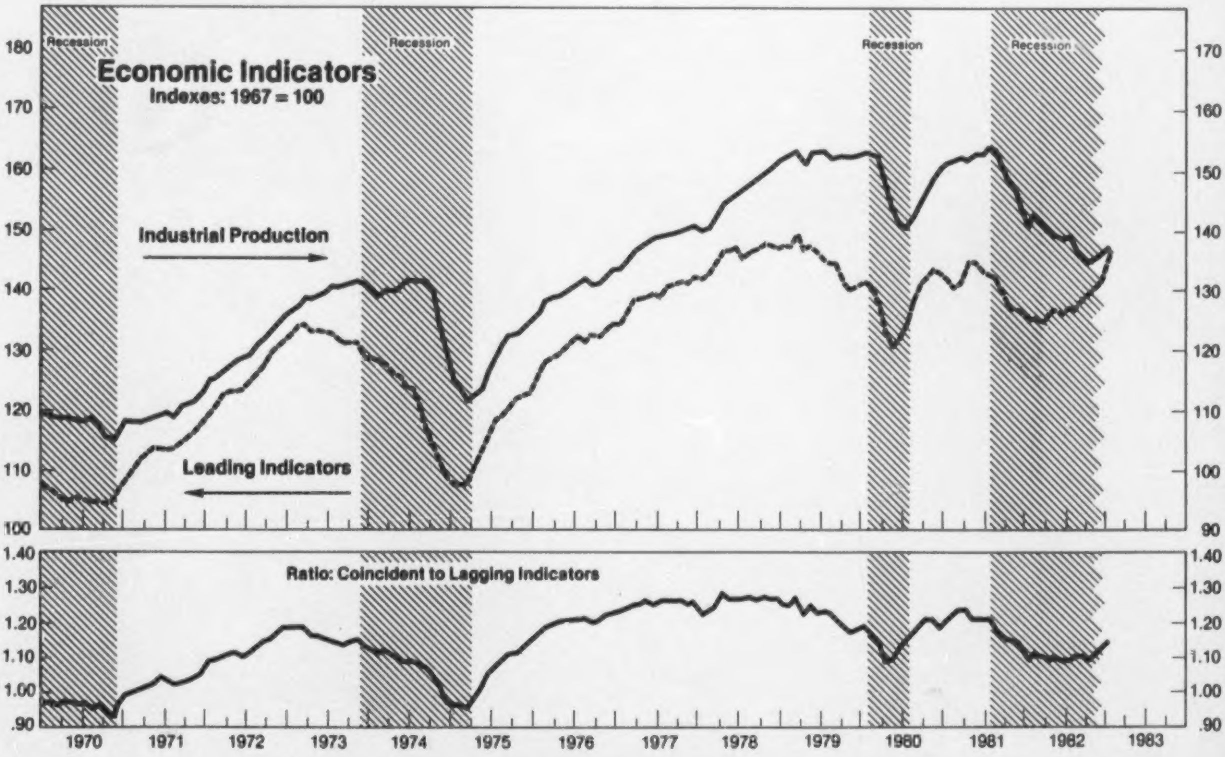


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change from year-ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Jan.	X			+ 4.8%	+ 8.3%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Jan.		X		— 2.0%	—12.3%
New orders, nondefense capital goods (deflated)	Jan.		X		+ 0.1%	— 6.5%
*Net business formation	Jan.		X		+ 1.3%	— 0.2%
*Housing permits	Jan.	X			+ 28.9%	+ 88.1%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Jan.	X			+ 12.9%	+ 8.5%
*Change in inventory, on hand & order (deflated)	Dec.			X	—16.5%	—19.0%
Purchasing agents' buying policy	Feb.		X		+ 4 %	— 9 %
*Vendor performance, reported slower deliveries	Jan.		X		— 3 %	+ 9 %
Industrial raw materials prices	Feb.	X			+ 4.4%	— 7.8%
*Change in sensitive prices	Jan.			X	— 0.5%	+ 0.2%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Jan.	X			+ 4.1%	+ 6.9%
Change in business loans	Feb.	X			+ 59.5%	+ 27.1%
*Change in liquid assets	Jan.			X	— 0.2%	— 0.2%
Change in consumer installment debt	Dec.	X			+ 13.2%	+ 26.7%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q		X		+ 1.6%	—24.3%
*Common stock prices	Feb.	X			+ 5.4%	+ 27.2%
Marginal Employment Adjustments						
*Average workweek, mfg.	Feb.		X		0	— 0.5hr.
*Initial unemployment claims (inverted)	Feb.	X			+ 25.3%	+ 10.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.

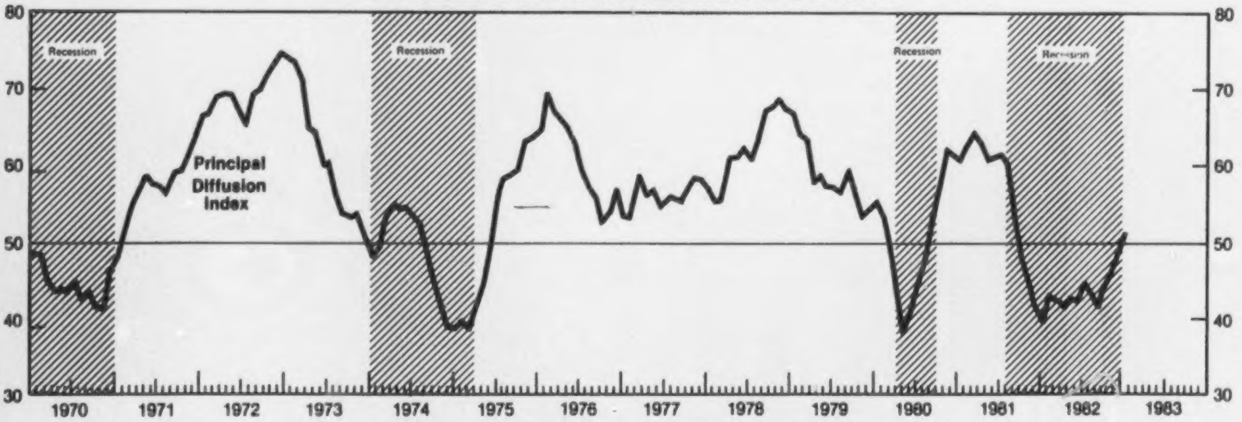


CONFERENCE BOARD DIFFUSION INDEXES

	1982	1983			
DIFFUSION INDEXES	**Jan.**	**Oct.**	**Nov.**	**Dec.**	**Jan.(e)**
Principal Diffusion Index	37.6r	44.5r	45.9r	48.4r	51.2
Auxiliary Diffusion Index	41.4r	57.0r	54.8r	58.0r	59.3
Industrial Group	30.8	34.4r	37.0r	41.7r	47.3
Nonindustrial Group	44.3r	54.6r	54.9r	55.1r	55.2
Sense of Diffusion	— 1	0	0	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	37.6	39.7r	33.8r	32.9r	37.2
Labor	25.0	24.6	33.5	40.3	46.2
Miscellaneous	35.3	50.6	50.6	58.3	65.4
Nonindustrial Subgroups					
Prices	41.7	39.7	41.0	42.3	51.3
Consumer	58.5	69.7	74.8	69.2	63.2
Building	28.2	54.5	54.5	54.5	58.3
Miscellaneous	42.5	49.4	44.4	50.0r	47.6

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

p—preliminary e—estimate r—revised



The Conference Board Diffusion Index

BUSINESS EXECUTIVES' EXPECTATIONS

	1980			*1981*				*1982*			
	May	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*
					Score (scale 0-100)						
Measure of Business Confidence	29	49	63	58	61	57	43	47	52	55	60
1. Appraisal of Current Economic Conditions Compared With Six Months Ago.	16	28	59	50	57	48	26	23	30	38	44
2. Expectations for Economy, Six Months Ahead.......................	31	60	67	63	64	63	51	59	64	65	70
3. Expectations for Own Industry, Six Months Ahead.......................	40	60	63	61	61	60	52	58	61	61	65

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

		1981			1982				Percent Change From Previous Year		
		II	III	IV	I	II	IIIr	IVp	1981 Actual	1982 Actual	1983 Expected**
1000 LARGEST MANUFACTURING FIRMS											
New appropriations		28.060	26.938	22.992	25.767	19.331	18.482	21.517	2	−18	12
Capital expenditures		24.580	28.217	26.174	26.924	25.734	23.926	22.700	15	− 3	− 1
Change in appropriations backlog*		+ 2.736	+ 1.164	−4.602	−1.629	−8.289	−8.527	−3.142			
Durable Goods											
New appropriations		11.488	11.549	9.532	8.446	7.308	7.543	8.287	−5	−25	10
Capital expenditures		10.405	11.079	10.965	11.161	10.663	9.629	9.108	4	− 6	−15
Change in appropriations backlog*		+ 0.757	+ 0.964	−1.953	−2.994	−4.165	−4.267	−1.339			
Nondurable Goods											
New appropriations		16.572	15.369	13.460	17.321	12.023	10.939	13.230	7	−14	12
Capital expenditures		14.175	15.138	15.209	15.763	15.071	14.297	13.592	24	0	8
Change in appropriations backlog*		+ 1.979	+ 0.200	−2.649	+ 1.365	−4.124	−4.260	−1.803			
ELECTRIC & GAS UTILITIES											
New appropriations	(r)	12.710	10.016	8.559	8.802	9.210	11.548p				
Capital expenditures	(r)	7.998	8.512	8.404	8.965	8.796	8.883p				
Change in appropriations backlog*	(r)	+ 4.245	−6.994	−5.931	−5.773	−0.588	+ 1.953p				

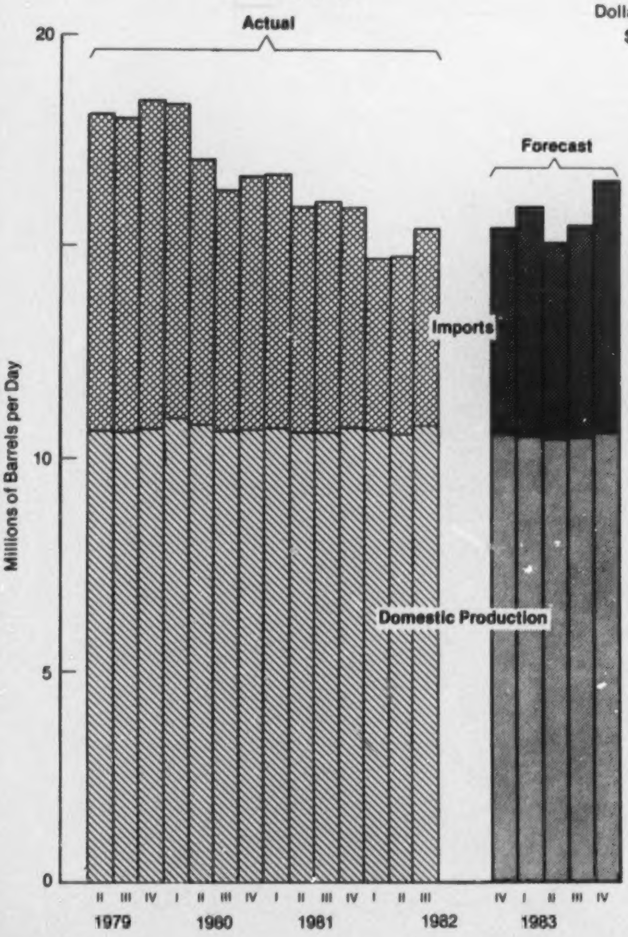
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

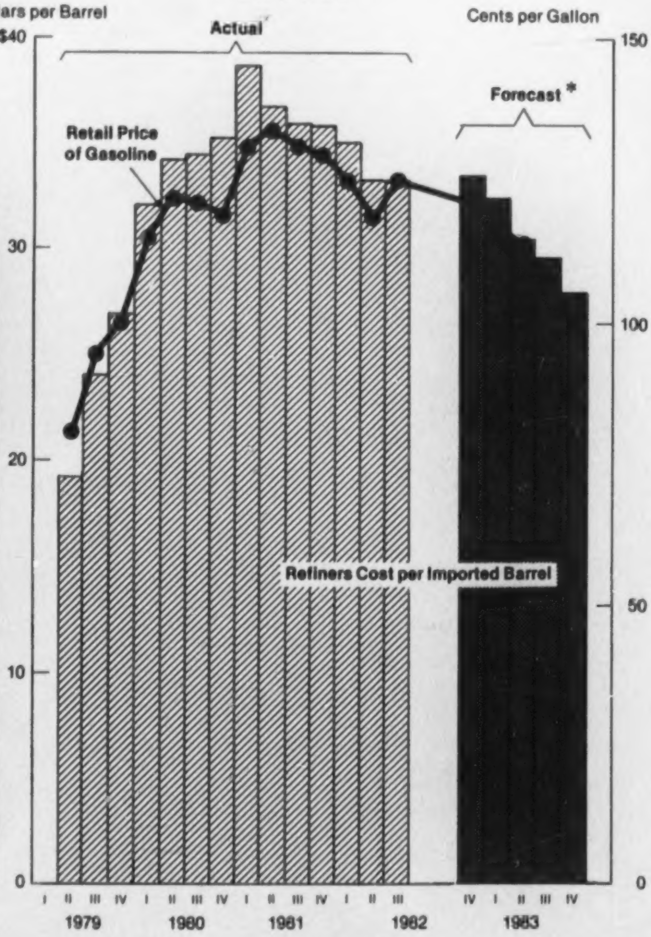
* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply

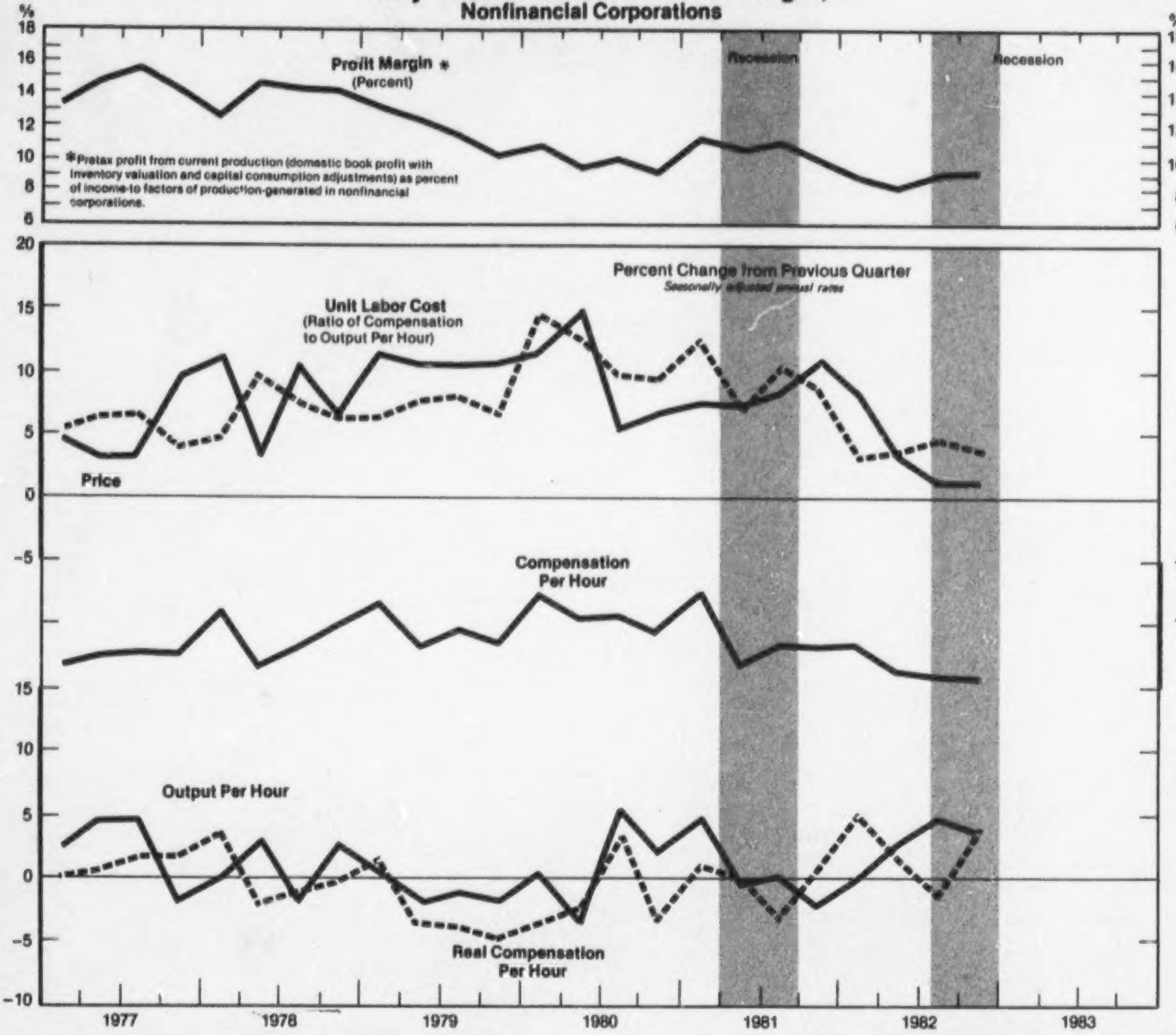


Oil Price



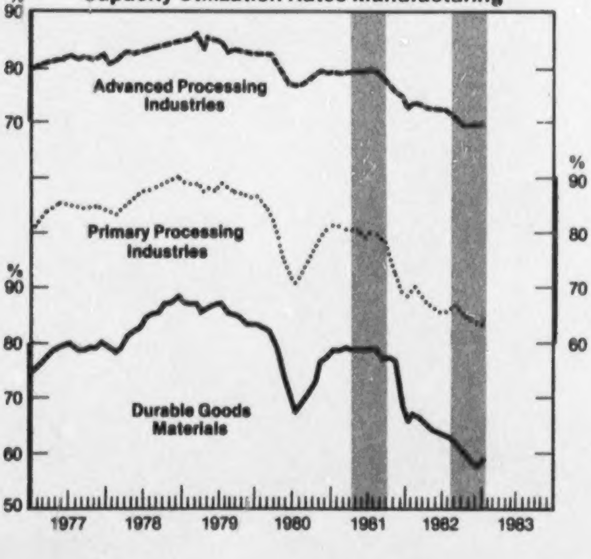
* Source of Forecast in The Energy Information Administration, Departmentof Energy.

Key Determinants of Profit Margin,
Nonfinancial Corporations

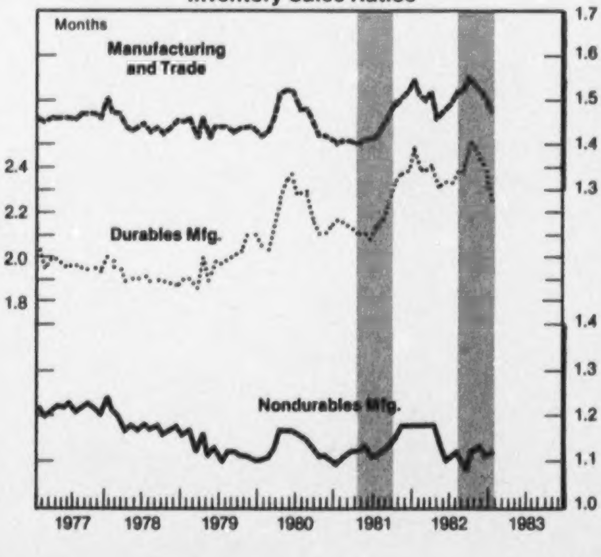


*Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income-to factors of production-generated in nonfinancial corporations.

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[1]		Merrill Lynch Economics Inc.[2]		Kent Economic Institute[1]		Georgia State University[1]	
Date of Forecast			*Feb., 1983*		*Feb., 1983*		*Feb., 1983*		*Feb., 1983*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1982**	**IV**	**$3101.4**	1.7%			**$3101.4**	1.7%	**$3101.4**	1.7%
Forecast	1983	I	3169.1	9.0	$3184.8	11.2%	3149.3	6.3	3155.9	7.2
		II	3237.3	8.9	3248.8	8.3	3194.6	5.9	3231.5	9.9
		III	3310.2	9.3	3337.2	11.3	3273.6	10.3	3294.6	8.0
		IV	3396.3	10.8	3422.8	10.7	3357.9	10.7	3388.1	11.8
	1984	I	3488.7	11.3	3499.2	9.2	3435.0	9.5	3472.6	10.4
		II	3579.3	10.8	3584.5	10.1	3520.5	10.3	3549.9	9.2
		III	3669.1	10.4	3676.4	10.6	3605.9	10.1	3628.9	9.2
		IV	3758.2	10.1	3771.3	10.6	3701.2	11.0	3716.4	10.0
	1985	I	3841.7	9.2			3812.1	12.5	3810.0	10.5
	1983	Annual	3278.2	7.2	3298.4	7.9	3243.8	6.1	3267.5	6.9
	1984	Annual	3623.8	10.5	3633.3	10.2	3565.6	9.9	3591.9	9.9
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1982**	**IV**	**$1473.9**	−1.8%	**$1473.9**	−1.8%	**$1473.9**	−1.9%	**$1473.9**	−1.8%
Forecast	1983	I	1491.1	4.6	$1492.1	5.7%	1486.7	3.5	1486.6	3.5
		II	1507.1	4.4	1500.2	2.2	1499.5	3.5	1507.0	5.6
		III	1525.9	5.1	1520.0	5.4	1517.8	5.0	1519.6	3.4
		IV	1546.3	5.5	1535.3	4.1	1538.8	5.7	1542.7	6.2
	1984	I	1566.5	5.3	1548.7	3.5	1550.9	3.2	1562.0	5.1
		II	1586.5	5.2	1563.7	3.9	1564.7	3.6	1578.5	4.3
		III	1605.5	4.9	1582.3	4.8	1581.5	4.4	1593.7	3.9
		IV	1621.2	4.0	1598.6	4.2	1599.2	4.6	1610.1	4.2
	1985	I	1634.6	3.3			1624.5	6.5	1626.0	4.0
	1983	Annual	1517.8	2.8	1511.9	2.5	1510.7	2.3	1514.0	2.6
	1984	Annual	1594.9	5.1	1573.3	4.1	1574.1	4.2	1586.1	4.8
Gross National Product Deflator Index, 1972 = 100										
Actual	**1982**	**IV**	**210.4**	3.7%			**210.4**	3.7%	**210.4**	3.7%
Forecast	1983	I	212.5	4.1	213.4	5.3%	211.8	2.7	212.3	3.6
		II	214.8	4.2	216.6	6.0	213.0	2.3	214.4	4.1
		III	216.9	4.0	219.6	5.6	215.7	5.0	216.8	4.5
		IV	219.6	5.1	222.9	6.3	218.2	4.8	219.6	5.3
	1984	I	222.7	5.7	225.9	5.5	221.5	6.1	222.3	5.0
		II	225.6	5.3	229.2	5.9	225.0	6.5	224.9	4.7
		III	228.5	5.3	232.5	5.8	228.0	5.8	227.7	5.1
		IV	231.8	5.9	235.9	6.1	231.4	6.2	230.8	5.6
	1985	I	235.0	5.7			234.7	5.7	234.3	6.2
	1983	Annual	216.0	4.3	218.1	5.3	214.7	3.6	215.8	4.2
	1984	Annual	227.2	5.2	230.9	5.9	226.5	5.5	226.4	4.9
Unemployment Rate										
Actual	**1982**	**IV**	**10.7%**		**10.7%**		**10.7%**		**10.7%**	
Forecast	1983	I	10.3		10.6		10.2		10.4	
		II	10.2		10.5		10.0		10.4	
		III	10.0		10.3		9.6		10.3	
		IV	9.7		10.0		9.1		10.0	
	1984	I	9.3		9.8		9.0		9.8	
		II	9.1		9.6		9.0		9.6	
		III	8.7		9.3		8.2		9.4	
		IV	8.4		9.0		8.0		9.1	
	1985	I	8.2				7.1		8.9	
	1983	Annual	10.1		10.3		9.7		10.3	
	1984	Annual	8.9		9.4		8.5		9.5	

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised fourth quarter data.

[2] Based on preliminary fourth quarter data.

ECONOMIC FORECASTS (continued)

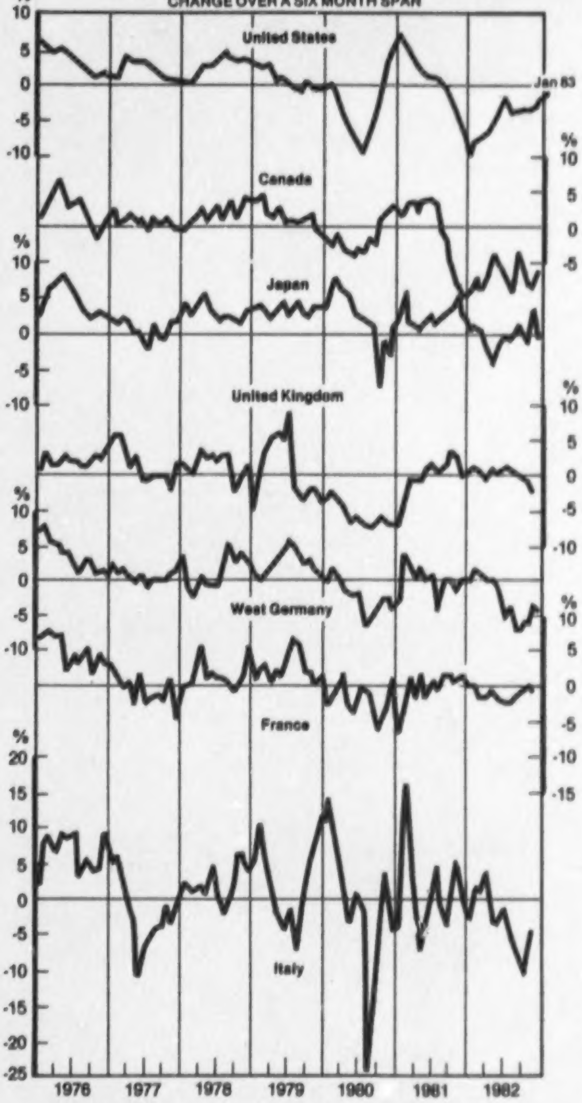
The Conference Board[1]		Chase Econometric Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Feb., 1983		*Feb., 1983*		*Feb., 1983*		*Feb., 1983*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3101.4	1.7%	$3101.4	1.7%	$3101.4	1.7%	$3101.4	1.7%	IV	1982	Actual
3169.0	9.0	3168.1	8.9	3162.4	8.1	3149.0	6.3	I	1983	Forecast
3258.0	11.7	3232.6	8.4	3224.0	8.0	3199.5	6.6	II		
3334.0	9.7	3309.5	9.9	3292.5	8.8	3280.3	10.5	III		
3407.0	9.1	3393.3	10.5	3372.4	10.1	3374.0	11.9	IV		
3479.0	8.7	3480.3	10.7	3456.2	10.3	3455.1	10.0	I	1984	
3569.0	10.8	3572.1	11.0	3541.0	10.2	3539.3	10.1	II		
3649.0	9.3	3662.2	10.5	3629.9	10.4	3626.8	10.3	III		
3736.0	9.9	3754.8	10.5	3722.3	10.6	3731.5	11.6	IV		
		3851.4	10.7	3809.0	9.6	3818.2	9.6	I	1985	
3292.0	7.7	3275.9	7.1	3262.8	6.7	3250.7	6.3	Annual	1983	
3606.3	9.6	3617.3	10.4	3587.3	9.9	3588.7	10.4	Annual	1984	
								Gross National Product Billions of Constant (1972) Dollars		
$1473.9	−1.9%	$1473.9	−1.9%	$1473.9	−1.9%	$1473.9	−1.9%	IV	1982	Actual
1491.4	4.8	1489.5	4.3	1487.6	3.8	1488.2	3.9	I	1983	Forecast
1516.0	6.8	1502.5	3.5	1499.1	3.1	1507.4	5.3	II		
1530.6	3.9	1521.2	5.1	1515.2	4.4	1531.5	6.6	III		
1543.6	3.5	1537.2	4.3	1532.7	4.7	1555.0	6.3	IV		
1557.3	3.5	1554.4	4.6	1550.4	4.7	1573.9	5.0	I	1984	
1577.1	5.2	1572.2	4.7	1569.8	5.1	1591.4	4.5	II		
1592.9	4.1	1588.6	4.2	1589.6	5.1	1610.3	4.8	III		
1610.5	4.5	1601.6	3.3	1607.6	4.6	1632.5	5.6	IV		
		1617.3	4.0	1623.1	3.9	1648.4	4.0	I	1985	
1520.5	3.0	1512.6	2.5	1508.7	2.2	1520.5	3.0	Annual	1983	
1584.5	4.2	1579.2	4.4	1579.4	4.7	1602.0	5.4	Annual	1984	
								Gross National Product Deflator Index, 1972 = 100		
210.4	3.7%	210.4	3.7%	210.4	3.7%	210.4	3.7%	IV	1982	Actual
212.5	4.0	212.7	4.4	212.6	4.2	211.6	2.3	I	1983	Forecast
214.9	4.7	215.1	4.7	215.1	4.7	212.3	1.3	II		
217.8	5.5	217.6	4.8	217.3	4.2	214.2	3.7	III		
220.7	5.3	220.7	5.8	220.0	5.1	217.0	5.3	IV		
223.4	5.0	223.9	5.8	222.9	5.4	219.5	4.8	I	1984	
226.3	5.3	227.2	6.0	225.6	4.8	222.4	5.3	II		
229.1	5.0	230.5	6.0	228.4	5.0	225.3	5.4	III		
232.0	5.2	234.4	7.0	231.5	5.7	228.6	5.9	IV		
		238.1	6.5	234.7	5.5	231.6	5.5	I	1985	
216.5	4.6	216.5	4.5	216.2	4.4	213.8	3.2	Annual	1983	
227.7	5.2	229.0	5.8	227.1	5.0	224.0	4.8	Annual	1984	
								Unemployment Rate		
10.7%		10.7%		10.7%		10.7%		IV	1982	Actual
10.5		10.4		10.4		10.5		I	1983	Forecast
10.2		10.4		10.3		10.1		II		
10.0		10.3		10.1		9.9		III		
9.9		10.2		10.0		9.6		IV		
9.8		10.0		9.7		9.3		I	1984	
9.5		9.7		9.4		8.9		II		
9.2		9.4		9.1		8.6		III		
9.0		9.1		8.8		8.3		IV		
		8.9		8.5		8.0		I	1985	
10.2		10.3		10.2		10.0		Annual	1983	
9.4		9.6		9.3		8.8		Annual	1984	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900

SELECTED INTERNATIONAL COMPARISONS

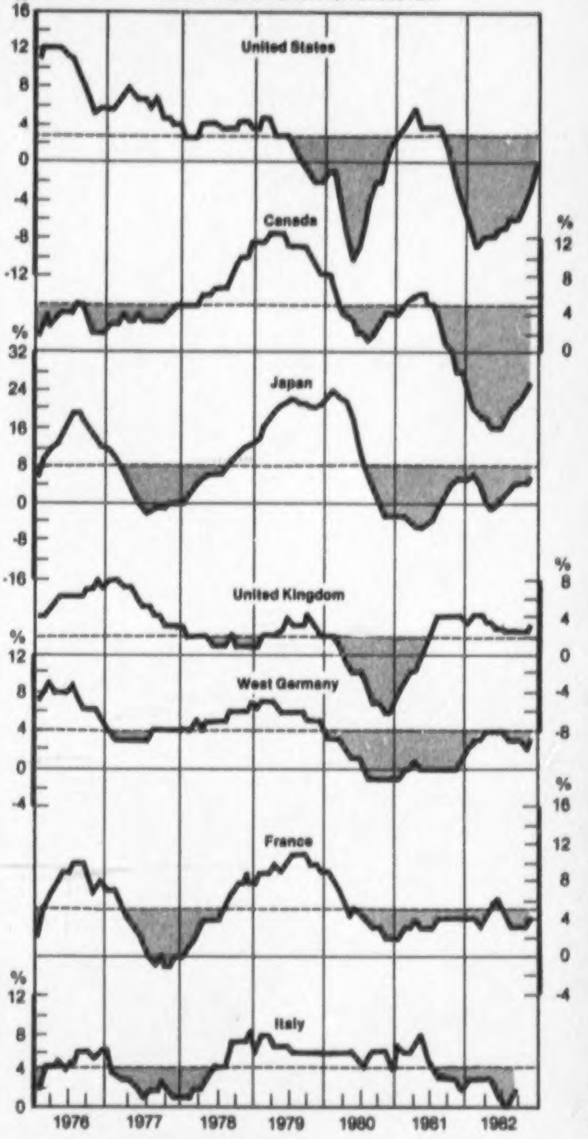
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



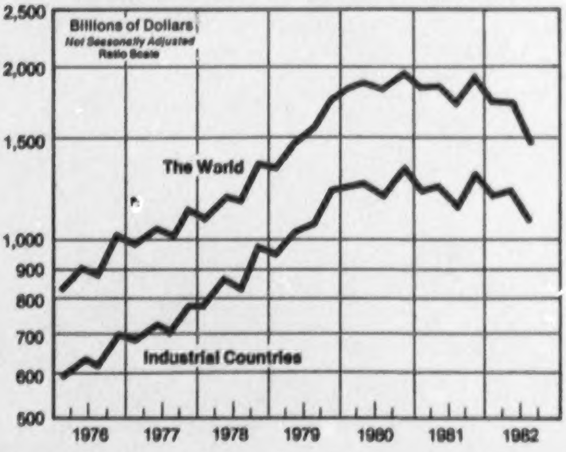
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM SAME MONTH, PREVIOUS YEAR

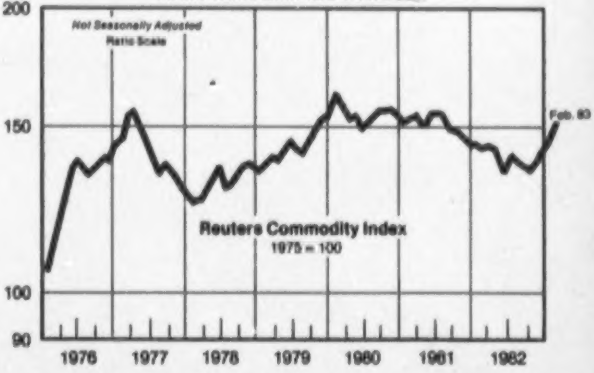


Source: Center for International Business Cycle Research, Rutgers University

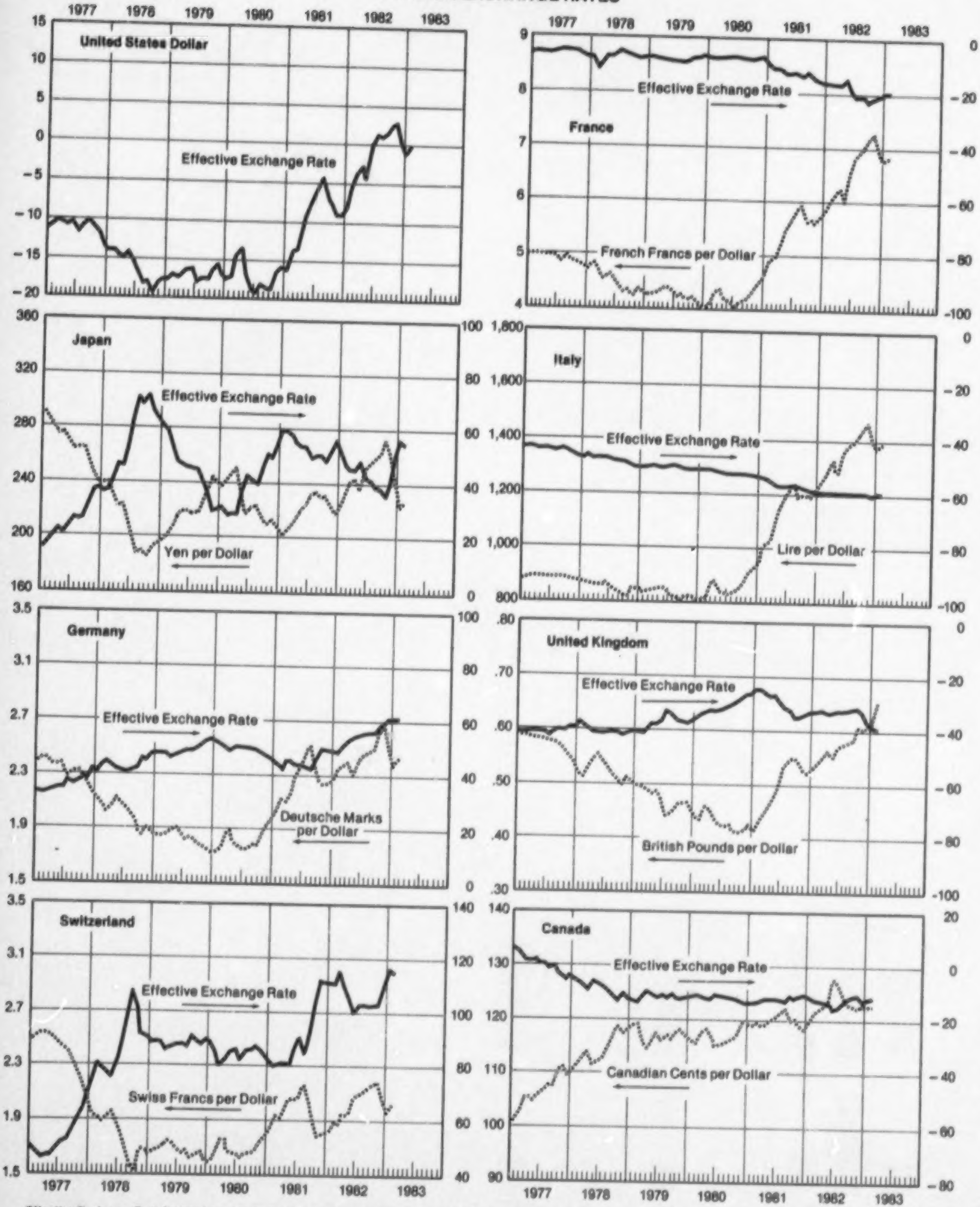
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies, weighted according to the average bilateral manufactures trade of 1976. Changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

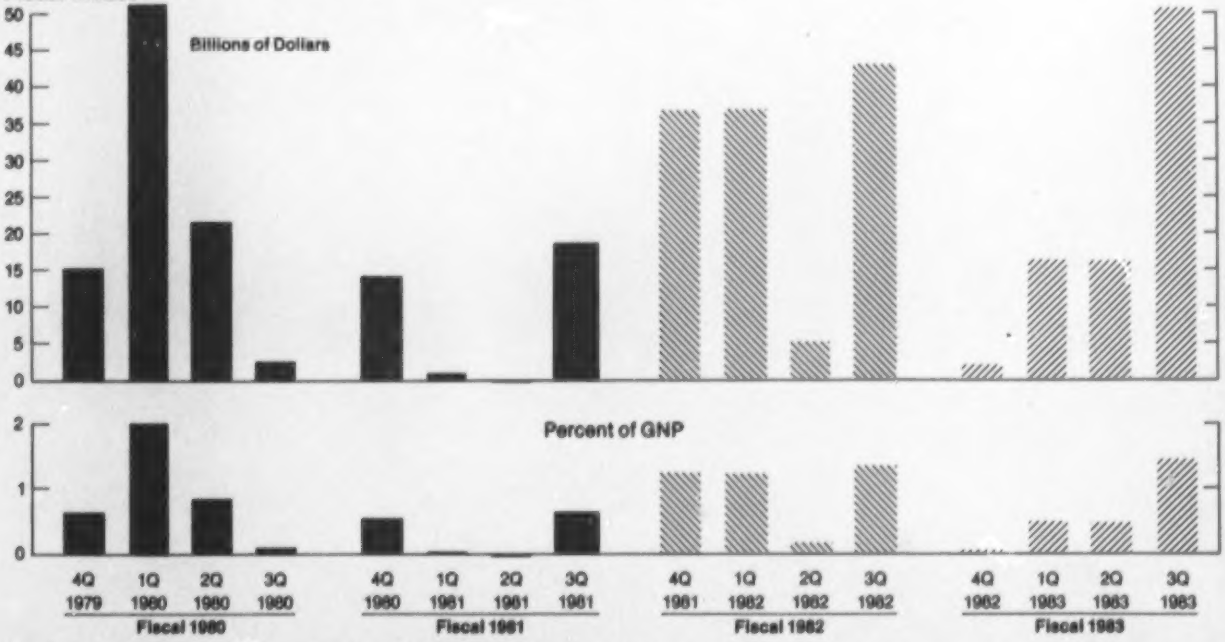
Source: Morgan Guaranty Trust

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

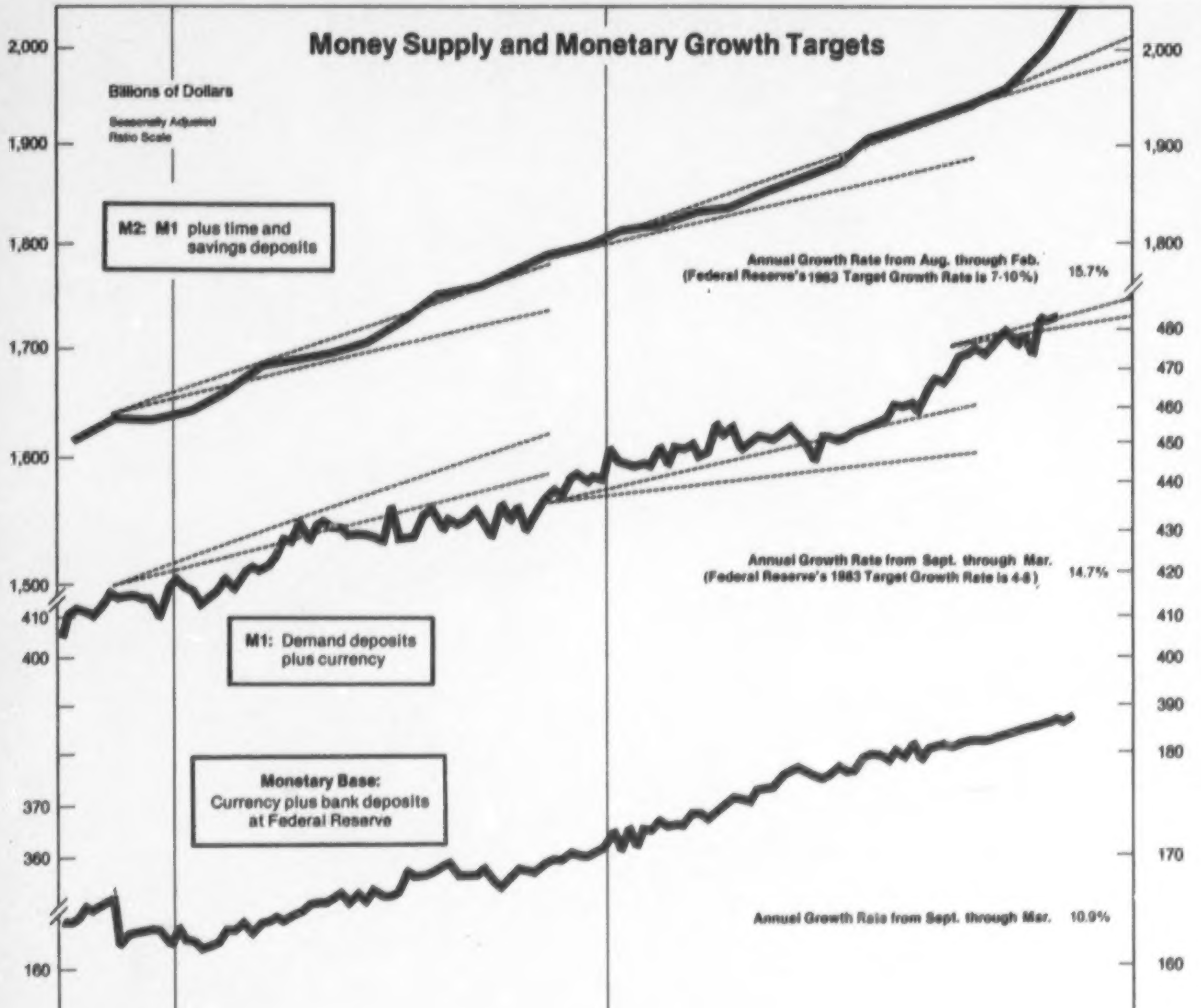
	Fiscal 1982	Fiscal 1983		Fiscal 1984		
	Actual	*President's Proposal*	*Congressional Estimate*	*Current Services*	*President's Proposal*	*Congressional Estimate*
	(10/26/82)	*(1/31/83)*	*(9/1/82)*	*(1/31/83)*	*(1/31/83)*	*(3/17/83)*
Receipts	**$617.8**	**$597.5**	**$633.0**	**$648.8**	**$659.7**	**$689.1**
Outlays	**728.4**	**805.2**	**788.0**	**880.3**	**848.5**	**863.6**
Deficit	**−110.6**	**−207.7**	**−155.0**	**−231.5**	**−188.8**	**−174.5**
Receipts by source	**617.8**	**597.5**	**633.0**	**648.8**	**659.7**	**689.1**
Individual income taxes	298.1	285.2	298.0	295.8	295.6	
Corporate income taxes	49.2	35.3	47.0	51.9	51.8	
Social insurance	201.1	210.3	217.0	231.7	242.9	
Other receipts	69.4	66.7	71.0	69.4	69.4	
Outlays by function	**728.4**	**805.2**	**788.0**	**880.3**	**848.5**	**863.6**
Income security	248.8	282.5	270.0	289.7	282.4	284.7
National defense	187.4	214.8	216.0	253.7	245.3	235.4
Health	74.0	82.4	79.0	92.9	90.6	96.0
Veterans' benefits	24.0	24.4	24.0	26.1	25.7	25.6
Education and manpower	25.4	26.7	27.0	27.1	25.3	32.7
Transportation	20.6	21.9	20.0	26.1	25.1	26.2
International affairs	10.0	11.9	13.2	12.8	13.2	13.2
Agriculture	14.8	21.1	15.0	15.3	12.1	14.7
Natural resources and environment	13.1	12.1	11.0	11.2	9.8	12.5
General science	7.1	7.8	8.0	8.1	8.2	8.4
Community development	7.4	7.4	8.0	7.2	7.0	8.6
Revenue sharing	6.2	6.4	6.0	7.2	7.0	7.6
General government	4.8	5.8	5.0	5.9	6.0	6.1
Justice	4.6	5.3	5.0	5.5	5.5	5.5
Energy	4.8	4.5	5.0	4.1	3.3	4.3
Commerce and housing credit	3.8	1.9	2.0	2.1	0.4	2.3
Interest	100.8	88.9	115.0	105.2	103.2	96.2
Allowances	—	—	−3.0	1.9	0.9	−1.3
Undistributed offsetting receipts	−29.3	−20.4	−36.0	−21.6	−22.8	−17.4

Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York: 1980


Money Supply and Monetary Growth Targets
Billions of Dollars
Seasonally Adjusted
Ratio Scale
M2: M1 plus time and savings deposits
Annual Growth Rate from Aug. through Feb.
(Federal Reserve's 1983 Target Growth Rate is 7-10%)
15.7%
M1: Demand deposits plus currency
Annual Growth Rate from Sept. through Mar.
(Federal Reserve's 1983 Target Growth Rate is 4-8)
14.7%
Monetary Base:
Currency plus bank deposits at Federal Reserve
Annual Growth Rate from Sept. through Mar.
10.9%
2,000
1,900
1,800
1,700
1,600
1,500
410
400
370
360
160
150
2,000
1,900
1,800
480
470
460
450
440
430
420
410
400
390
180
170
160
150
Percent
Not Seasonally Adjusted
Federal Funds Rate
20
18
16
14
12
10
8
20
18
16
14
12
10
8
O
N
D
J
F
M
A
M
J
J
A
S
O
N
D
J
F
M
A
M
J
J
A
S
O
N
D
J
F
M
1980
1981
1982
1983

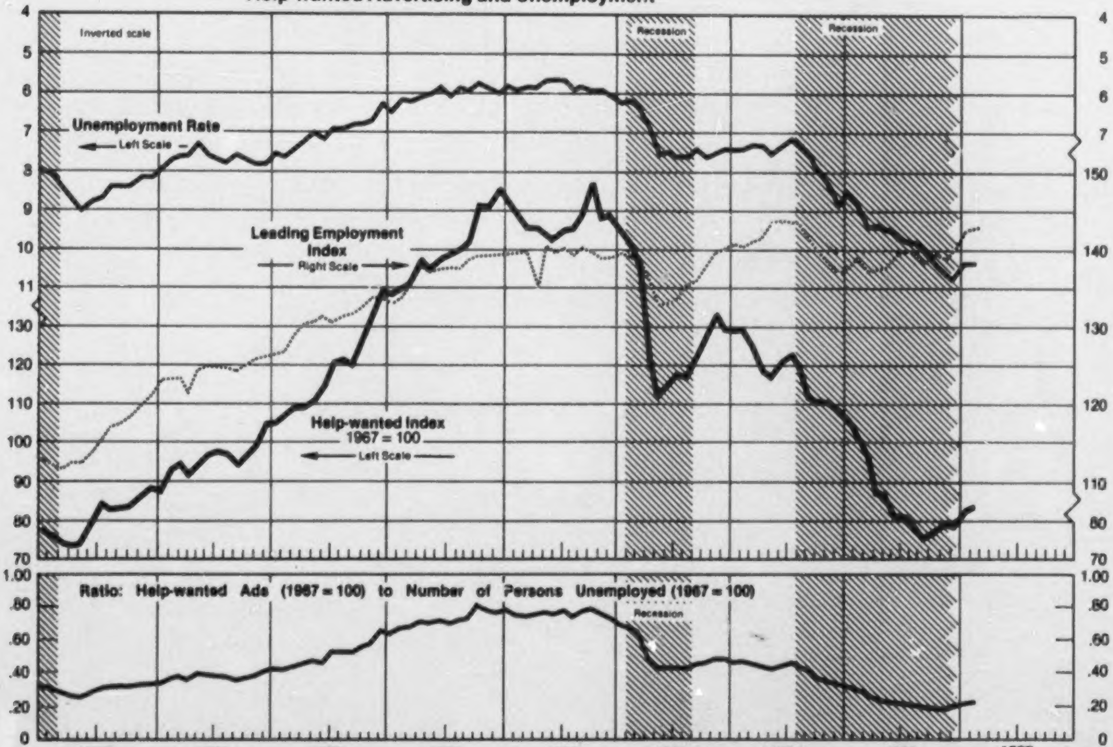
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1983	1982		
	Jan.	Dec.	Nov.	Jan.
Total index 51 papers	83	83	78	106
New England	84	86	80	92
Boston	92	93	86	100
Hartford	88	94	87	105
Providence	n.a.	54	51	56
Middle Atlantic	43	45	43	53
Albany	78	76	74	84
Allentown	112	94	80	121
New York	37	41	39	46
Philadelphia	39	40	38	46
Pittsburgh	48	49	42	65
Rochester	48	53	50	64
Syracuse	62	66	65	74
East North Central	44	47	43	56
Chicago	39	45	40	56
Cincinnati	66	66	58	71
Cleveland	36	39	33	51
Columbus	75	70	71	89
Dayton	45	45	44	49
Detroit	36	34	29	37
Gary	90	107	99	130
Indianapolis	46	47	54	55
Milwaukee	33	37	31	43
Toledo	65	64	63	82
West North Central	47	45	41	59
Kansas City	65	68	60	81
Minneapolis	35	33	30	48
Omaha	85	75	69	94
St. Louis	37	33	31	46
South Atlantic	96	94	88	101
Atlanta	147	148	141	159
Baltimore	73	71	65	69
Charlotte	82	75r	73	96
Jacksonville	128	142	124	121
Miami	64	60	60	79
Richmond	59	56	51	59
Washington, D.C.	99	94	90	103
East South Central	86	82	78	101
Birmingham	90	91	79	105
Knoxville	125	132	124	171
Louisville	47	46	44	53
Memphis	74	71	67	87
Nashville	122	102	94	130
West South Central	205	205	184	315
Dallas	251	255	221	286
Houston	274	272	248	479
New Orleans	116	112	101	164
Oklahoma City	123	143	136	261
San Antonio	138	121	116	184
Tulsa	120	118	102	239
Mountain	163	161r	154	217
Denver	133	133r	114	193
Phoenix	191	185	194	233
Salt Lake City	183	181	173	243
Pacific	120	118	114	155
Los Angeles	95	89	89	137
Sacramento	218	212	200	243
San Bernardino	101	96	97	125
San Diego	236	223	204	272
San Francisco	113	114	120	145
Seattle	139	160	133	152
Percentage of papers with rising volume	51%	86%	63%	37%
Unemployment rate	10.4%	10.8%	10.7%	8.6%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

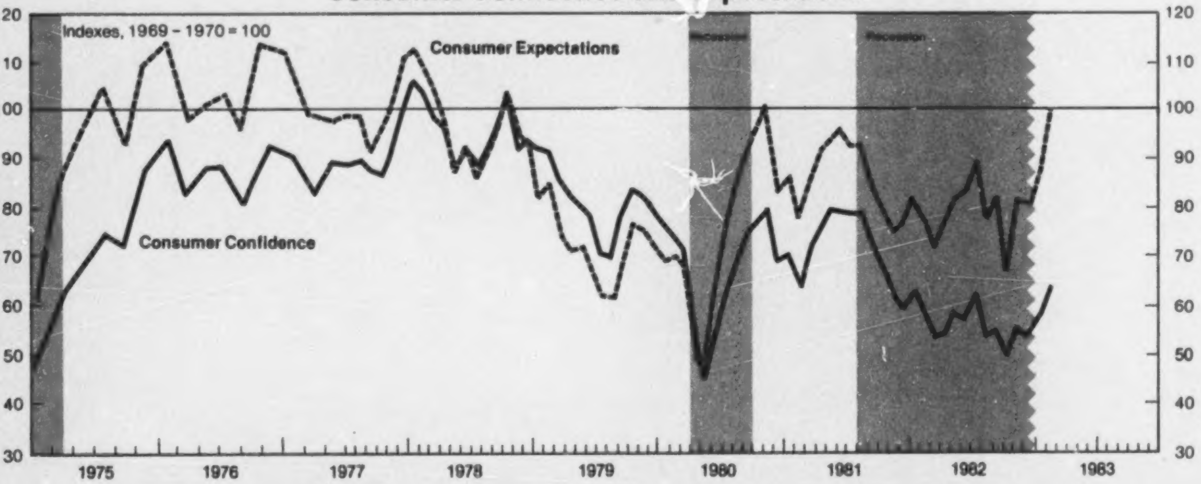
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1981	70.0	63.5	71.8	75.0	79.9	79.6	78.6	78.6	70.4	67.4	61.6	59.4
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0r	64.8p										
Buying Plans Index												
1981	87.5	90.5	98.0	85.9	84.8	89.5	78.7	96.7	90.3	86.2	89.8	99.2
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9r	75.5p										

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

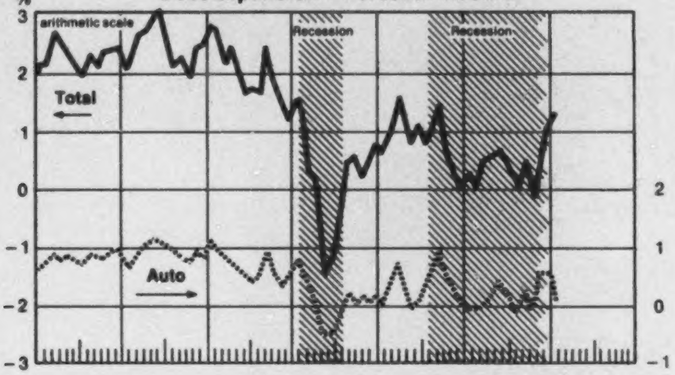
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IIIr	$1689.8	$608.4	$422.9	$185.5	69.5%	25.0%	15.5%	9.2%
	IVr	1714.9	604.0	437.0	167.0	72.3	25.5	14.0	8.5
1979	Ir	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	IIr	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	IIIr	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IVr	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	Ir	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	IIr	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	IIIr	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IVr	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	Ir	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	IIr	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	IIIr	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IVr	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2319.9	746.3	530.1	216.2	71.0	22.9	13.2	11.6
	IIr	2365.2	752.8	543.0	209.8	72.1	23.0	13.6	11.0
	IIIp	2436.8	798.3	550.6	247.7	69.0	22.6	14.4	12.6

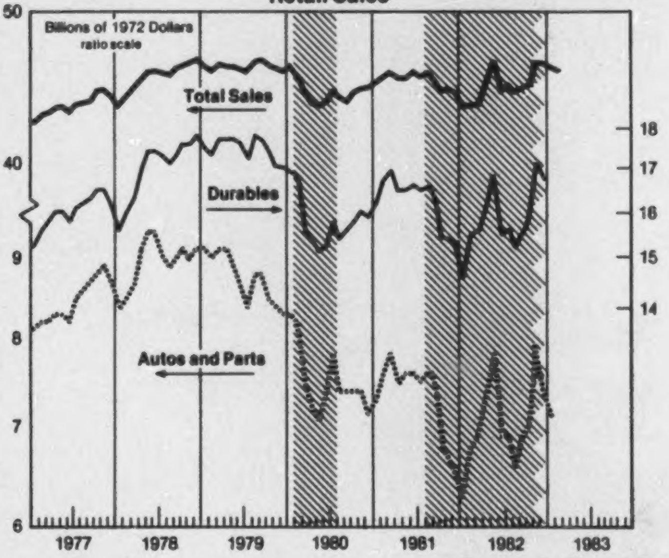
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Instaliment Debt Expansion + Personal Income



Retail Sales



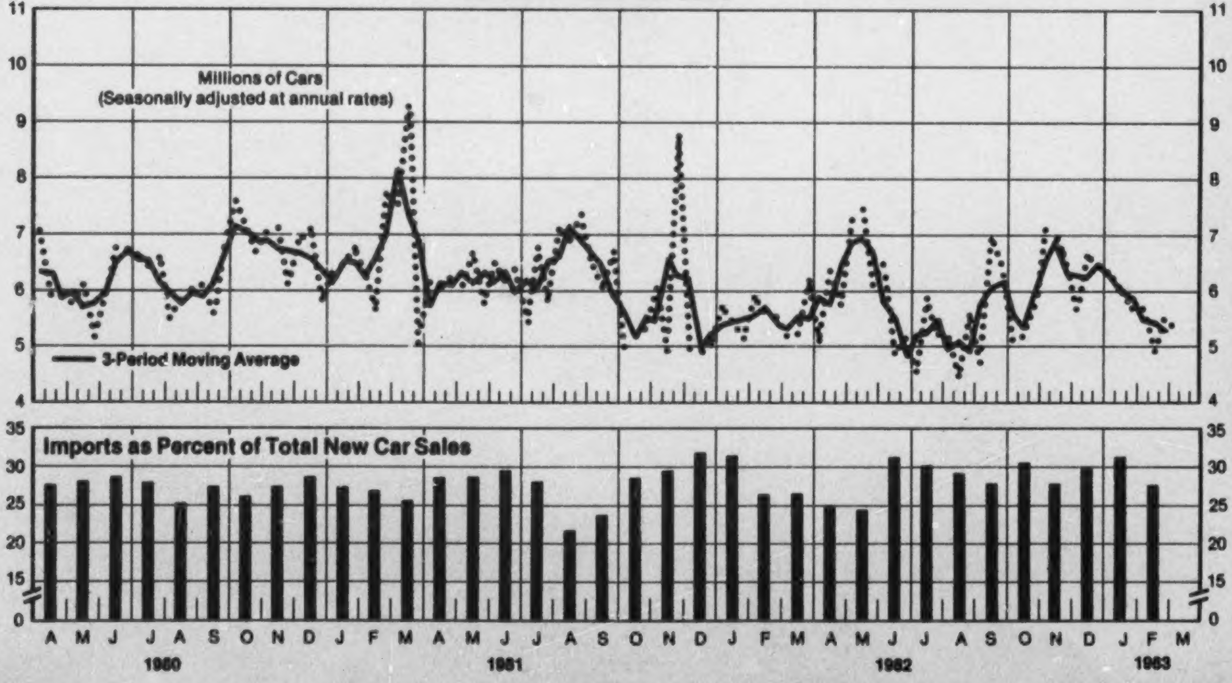
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1980	1981	1982	1983
January:	1-10	7.87	6.27	5.68	6.34
	11-20	7.08	6.44	5.43	6.08
	21-31	9.17	6.74	5.17	5.69
February:	1-10	6.88	6.30	5.88	5.68
	11-20	8.28	5.65	5.61	4.93
	21-28(29)	6.36	7.70	5.54	5.55
March:	1-10	6.98	7.55	5.18	
	11-20	7.18	9.29	5.24	
	21-31	6.12	5.02	6.16	
April:	1-10	7.02	6.18	5.11	
	11-20	5.94	6.01	6.38	
	21-30	5.90	6.22	5.77	
May:	1-10	5.78	6.09	7.26	
	11-20	6.10	6.64	7.47	
	21-31	5.17	5.76	6.06	
June:	1-10	5.95	6.50	6.51	
	11-20	6.78	6.18	4.83	
	21-30	6.74	6.35	5.17	
July:	1-10	6.60	5.45	4.54	
	11-20	6.41	6.78	5.88	
	21-31	6.59	5.60	5.22	
August:	1-10	5.44	7.08	5.18	
	11-20	5.81	6.91	4.48	
	21-31	6.00	7.38	5.58	
September:	1-10	6.05	6.57	4.70	
	11-20	5.58	6.09	6.95	
	21-30	6.74	6.67	6.49	
October:	1-10	7.60	4.98	5.09	
	11-20	7.09	5.18	5.16	
	21-31	6.49	5.32	5.68	
November:	1-10	7.03	6.05	7.10	
	11-20	7.10	4.93	6.94	
	21-30	6.11	8.75	6.49	
December:	1-10	6.88	4.98	5.64	
	11-20	7.08	4.88	6.62	
	21-31	5.81	5.03	6.46	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



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The Conference Board

COMMENT

The trouble with the consumer-led recovery is that it isn't—yet. The recovery got off to an unexpectedly quick start, resulting from the swing in the inventory cycle and a sizable pickup in home construction. Indeed, homebuilding, which had been one of the most depressed sectors of the economy, is now just about the only sector expanding strongly. That, however, is too narrow a base on which to build a sustained recovery. Consumer demand has been anything but robust so far. For the recovery to be sustained, consumer spending must begin to show more vibrant signs of life.

The *Economic Forecasts* indicate that the pace of recovery that was established in the first quarter of 1983 (just over 4% at an annual rate) will be maintained in the second quarter. This implies that final demand will soon begin to strengthen. Given the improvement in consumer attitudes in recent months, prospects are good that cash registers may, indeed, begin to register more sales. Any move in the direction of lower consumer loan rates would certainly enhance such prospects.

Attitude surveys show that consumers are becoming much more firmly convinced that better economic conditions are on the way. The Conference Board's *Consumer Confidence Index* was close to an all-time low of 49.7 (1969-1970 = 100) in October and still only at 53.5 as late as December. It then surged to 58.0 in January, 65.8 in February, and 76.5 in March. The rise in the *Expectations Index* (a component of the overall series) has been just as dramatic. It stood at 73.7 in October and was still only at 80.7 in December; then it improved to 87.5 in January, 100.3 in February, and 114.8 in March. It is interesting to note that consumers expressed much more optimism with respect to overall business conditions within the next six months than with respect to job prospects, and that they were even less optimistic with respect to higher incomes. Consumer confidence in this recovering economy is not, then, unlimited. Nevertheless, the improved attitudes strongly point to greater willingness to spend. But what about the means to spend?

The data on the *Key Determinants of Profit Margins* chart show that the rise in compensation per hour in the nonfinancial corporate sector was slowing down all through 1981 and 1982. It would not be at all surprising if it continued to slow down in the first half of 1983. Hence, even with the hard-won progress in wringing inflation out of the system, gains in real compensation per hour have been modest. And given the high incidence of unemployment, the trend in aggregate consumer real purchasing power has been flat. In fact, personal income, adjusted for inflation, was a mere 0.2% higher in February than it had been last November. While the inclination to spend has improved, the means have not.

Retail sales, adjusted for inflation, fell 1.3% in February and recovered only a fraction of that in March. Indeed, real retail sales were lower in March than they were in November. Few, if any, analysts anticipated lower sales volume three months into recovery than before it began. This turn of events is so surprising, in fact, that some economy-watchers have questioned how accurately the sales numbers reflect actual buying volume—since discounting is probably quite widespread. However, the weakest segment of consumer demand appears to be car buying. And there we have actual sales units, not dollar amounts.

New, domestic *Automobile Sales* began to improve late last Summer and into the Fall. Since November, however, car sales have been trending down. Consumers were buying cars at a seasonally adjusted, annualized rate of 6.84 million per month in October, but the rate fell to 5.39 million by February, and only rebounded to 5.72 million in March. This declining sales trend is not limited to the domestic models. Sales of foreign models had reached 2.6 million per month last November, but declined to about a 2.2 million rate in March.

Weak consumer demand cannot continue very long without jeopardizing prospects for a sustained recovery. Faster gains in real spending power and/or lower consumer-loan rates appear to be the necessary conditions for stronger demand. The *Economic Forecasts* indicate that the former, if not the latter, condition may begin to be met in the second quarter of 1983.

Industrial production rose in March for the fourth consecutive month, and was 2.7% higher in that month than its recession low reached last October. Even though production remains almost 10% lower than its previous cyclical peak (attained in March, 1979), the rising trend has several important implications for the course of this recovery—all of them good. Higher production levels have allowed for some gain in employment: About a million and a half more people were employed in March than last December. Those additional paychecks should soon begin to give some lift to total real household income and, hence, to consumer spending.

Ken Goldstein, Editor

Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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845 Third Avenue
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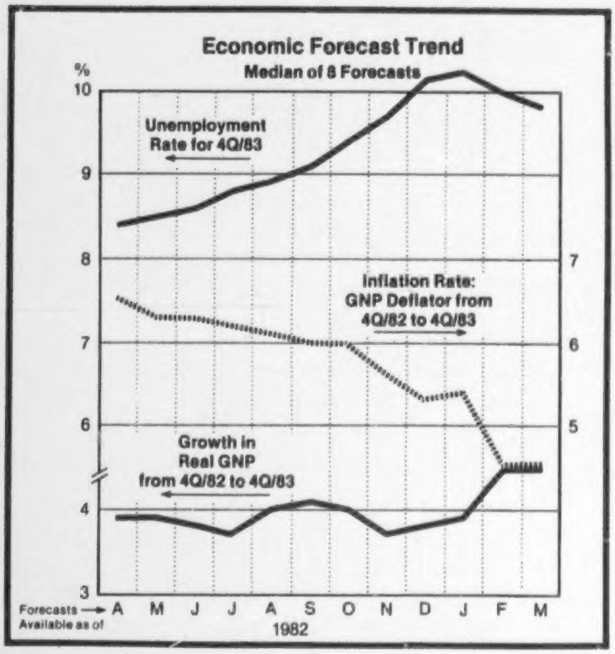
The Conference Board, Inc.
Avenue Louise, 207 Bte 5
B-1050 Brussels, Belgium



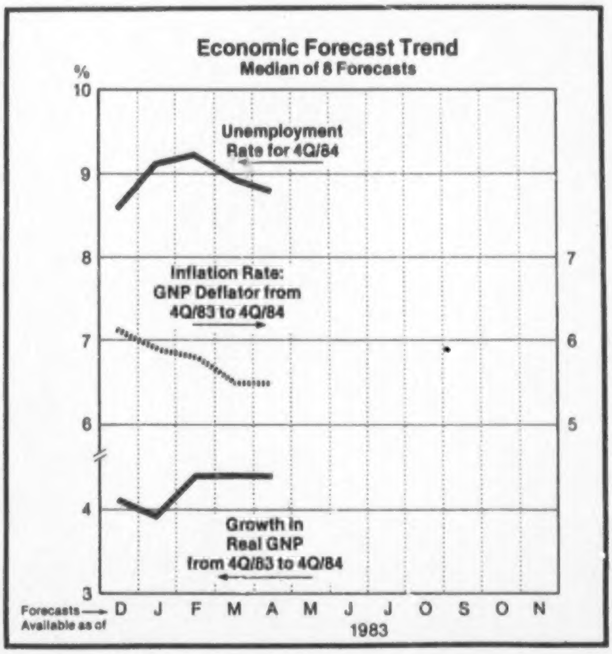
The rise in production has exceeded the rise in employment. Part of the difference is explained by the substantial lengthening of the average workweek in manufacturing industries (see the *Status of Leading Economic Indicators* table). But it is also, undoubtedly, partly attributable to some cyclical gain in labor productivity. To the extent that that is true, it means that hourly compensation can rise without putting upward pressure on product prices. The rise in labor cost per unit of output had slowed to a seasonally adjusted annual rate of only 1.3% in the third quarter of 1982 and remained that low in the fourth quarter. Given the smaller gains in compensation mentioned earlier, and some continued improvement in productivity, the increase in unit labor cost may well have become negligible. It is already substantially less than the rate of increase in prices, which implies that the severe squeeze on profit margins may have begun to ease.

The *Economic Forecasts* suggest that the recovery got off to a good, not great, start in the first quarter of 1983 and will continue at least through the forecast horizon (first quarter of 1985). The median for real GNP growth is a seasonally adjusted 4.2% annual rate for the first quarter of 1983 and continues at a 4.3% rate in the second quarter. In fact, as shown on the accompanying charts, real growth prospects for this year and next were not affected at all in the latest monthly revisions of the forecasters' models.

The accompanying charts also show no change in expectations for inflation this year and next. This suggests that the *Economic Forecasts* are discounting the inflationary potential of the substantial acceleration of the money supply (see the *Money Supply and Monetary Targets* chart). As suggested in this space last month, some of the money expansion is offset by the recent declines in velocity—the rate at which money changes hands. Also, there would be a stronger case for higher potential inflation if the money expansion were fueling an economic expansion that might quickly overheat. This recovery appears to be in more danger of stalling than of overheating.

The accompanying charts show that the updating of the models has altered the expected unemployment rates. The median of the *Economic Forecasts* is now for a 9.8% rate by the fourth quarter of this year and a full percent lower than that for the fourth quarter of next year. Since the national unemployment rate stood at 10.3% in March, this suggests only modest improvement over the course of the recovery. Indeed, production is anticipated to rise faster than employment all during 1983 and possibly in 1984 as well. The rise in employment in the second quarter of 1983 may, in fact, well prove slower than the increase in the first quarter. The Conference Board's *Help-wanted Index* remained unchanged from December through February and early returns point to a slight dip in March, indicating that recruiting efforts have been slowed.

Ken Goldstein
April 13, 1983

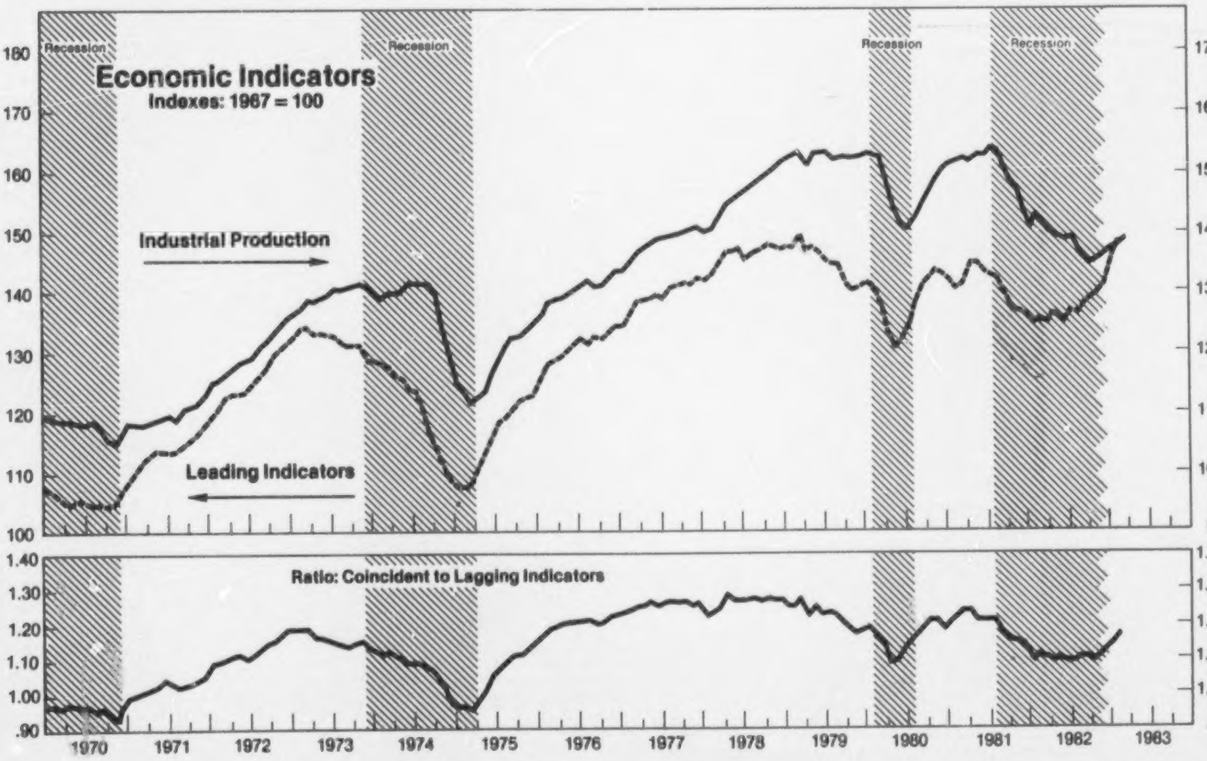


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change from year-ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Feb.	X			+ 6.2%	+ 9.3%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Feb.		X		+ 1.3%	—14.4%
New orders, nondefense capital goods (deflated)	Feb.			X	— 3.8%	— 9.9%
*Net business formation	Feb.	X			+ 5.2%	+ 2.7%
*Housing permits	Feb.	X			+25.2%	+88.4%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Feb.	X			+11.0%	+ 6.7%
*Change in inventory, on hand & order (deflated)	Jan.			X	—20.0%	—12.4%
Purchasing agents' buying policy	Mar.	X			+ 6 %	+ 2 %
*Vendor performance, reported slower deliveries	Feb.		X		+ 2 %	+ 6 %
Industrial raw materials prices	Mar.	X			+ 9.2%	— 2.5%
*Change in sensitive material prices	Feb.	X			+ 1.4%	+ 1.6%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Feb.	X			+ 5.7%	+ 9.1%
Change in business loans	Feb.	X			+65.3%	—69.8%
*Change in credit outstanding	Jan.	X			+10.6%	— 1.2%
Change in consumer installment debt	Jan.	X			+30.8%	+13.7%
Profitability						
Total corporate profits, after tax (deflated)	4th Q		X		— 0.5%	—20.2%
*Common stock prices	Mar.	X			+ 9.0%	+37.1%
Marginal Employment Adjustments						
*Average workweek, mfg.	Mar.	X			+ 0.7hr.	+ 0.6hr.
*Initial unemployment claims (inverted)	Mar.	X			+ 6.8%	+12.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



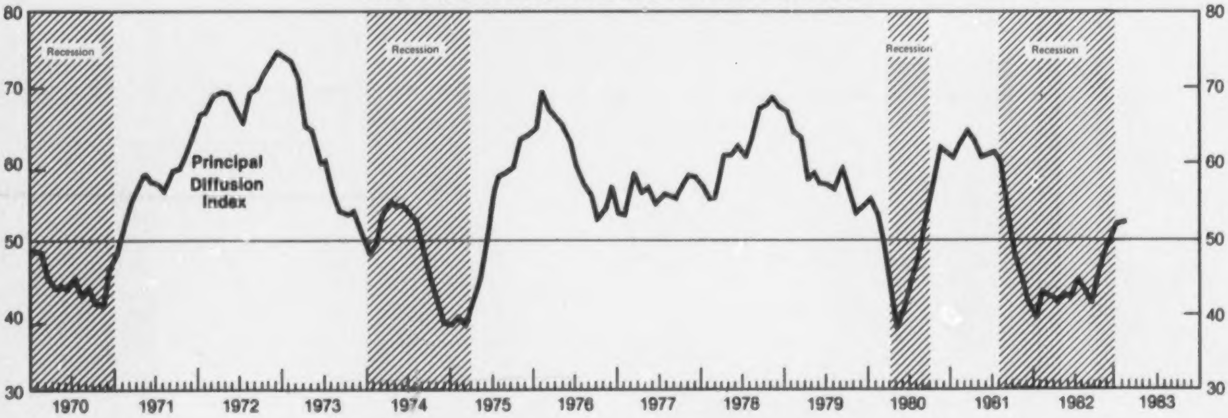
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1982 Feb.	1983 Nov.	Dec.	Jan.	Feb.(e)
Principal Diffusion Index	40.9	44.5r	47.9r	52.1r	52.2
Auxiliary Diffusion Index	60.9	55.4r	61.1r	63.4r	50.3
Industrial Group	34.2	37.0	41.7	48.1r	46.9
Nonindustrial Group	47.7	52.1r	54.2r	56.1r	57.5
Sense of Diffusion	— 1	0	0	0	0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	41.9	33.8	32.9	37.2	36.3
Labor	26.0	33.5	40.3	47.7r	49.6
Miscellaneous	42.9	50.6	58.3	65.4	55.8
Nonindustrial Subgroups					
Prices	42.9	41.0	42.3	51.3	59.6
Consumer	58.5	70.1r	75.6r	74.8r	68.8
Building	39.1	47.4r	40.4r	49.4r	53.2
Miscellaneous	45.7	44.4	50.0	45.1r	47.6

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1980			*1981*				*1982*			
	May	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*
	Score (scale 0-100)										
Measure of Business Confidence	29	49	63	58	61	57	43	47	52	55	60
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	16	28	59	50	57	48	26	23	30	38	44
2. Expectations for Economy, Six Months Ahead	31	60	67	63	64	63	51	59	64	65	70
3. Expectations for Own Industry, Six Months Ahead	40	60	63	61	61	60	52	58	61	61	65

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

		1981			1982				Percent Change From Previous Year		
		II	III	IV	I	II	IIIr	IVp	1981 Actual	1982 Actual	1983 Expected**
1000 LARGEST MANUFACTURING FIRMS											
New appropriations		28.060	26.938	22.992	25.767	19.331	18.482	21.517	2	−18	12
Capital expenditures		24.580	26.217	26.174	26.924	25.734	23.926	22.700	15	− 3	− 1
Change in appropriations backlog*		+ 2.736	+ 1.164	−4.602	−1.629	−8.289	−8.527	−3.142			
Durable Goods											
New appropriations		11.488	11.549	9.532	8.446	7.308	7.543	8.287	−5	−25	10
Capital expenditures		10.405	11.079	10.965	11.161	10.663	9.629	9.108	4	− 6	−15
Change in appropriations backlog*		+0.757	+0.964	−1.953	−2.994	−4.165	−4.267	−1.339			
Nondurable Goods											
New appropriations		16.572	15.389	13.460	17.321	12.023	10.939	13.230	7	−14	12
Capital expenditures		14.175	15.138	15.209	15.763	15.071	14.297	13.592	24	0	8
Change in appropriations backlog*		+ 1.979	+0.200	−2.649	+ 1.365	−4.124	−4.260	−1.803			
ELECTRIC & GAS UTILITIES											
New appropriations	(r)	12.209	9.678	8.916	8.939	8.303	10.490	10.873p			
Capital expenditures	(r)	8.016	8.491	8.424	8.919	8.804	8.925	9.334p			
Change in appropriations backlog*	(r)	+ 3.273	−8.338	−3.677	−8.995	−1.871	+ 0.713	−4.490p			

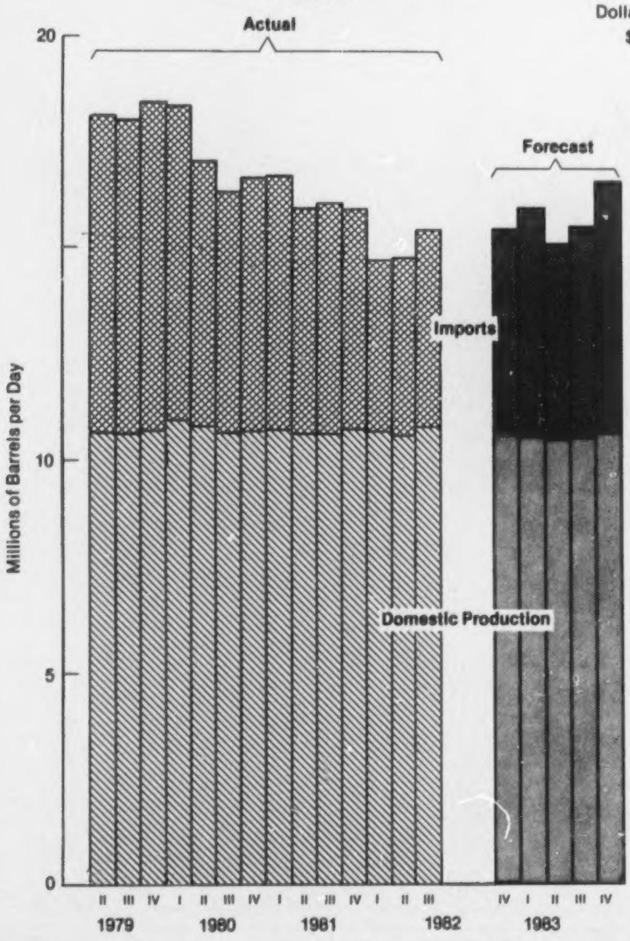
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

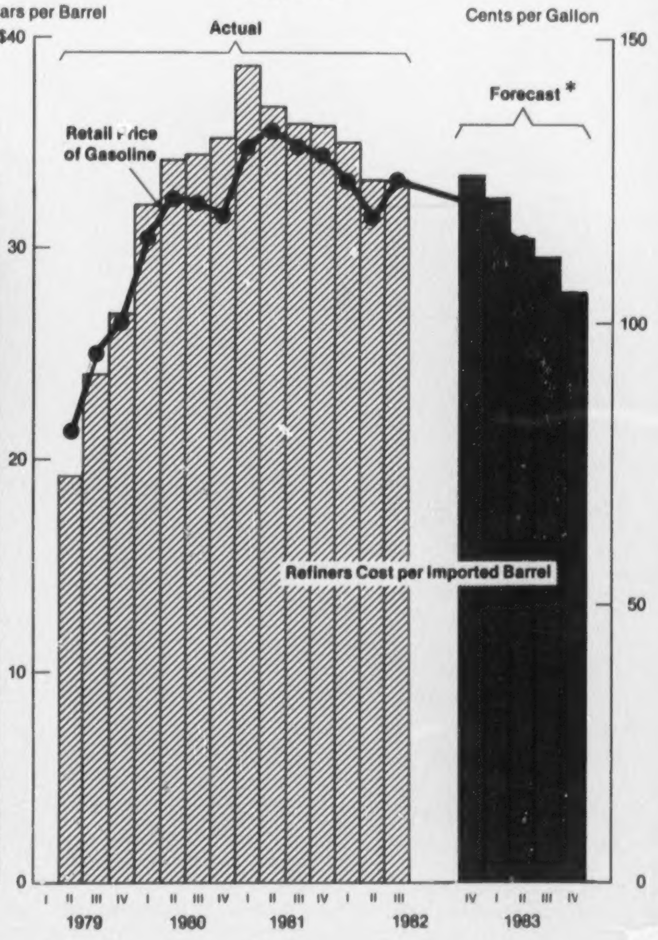
* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply

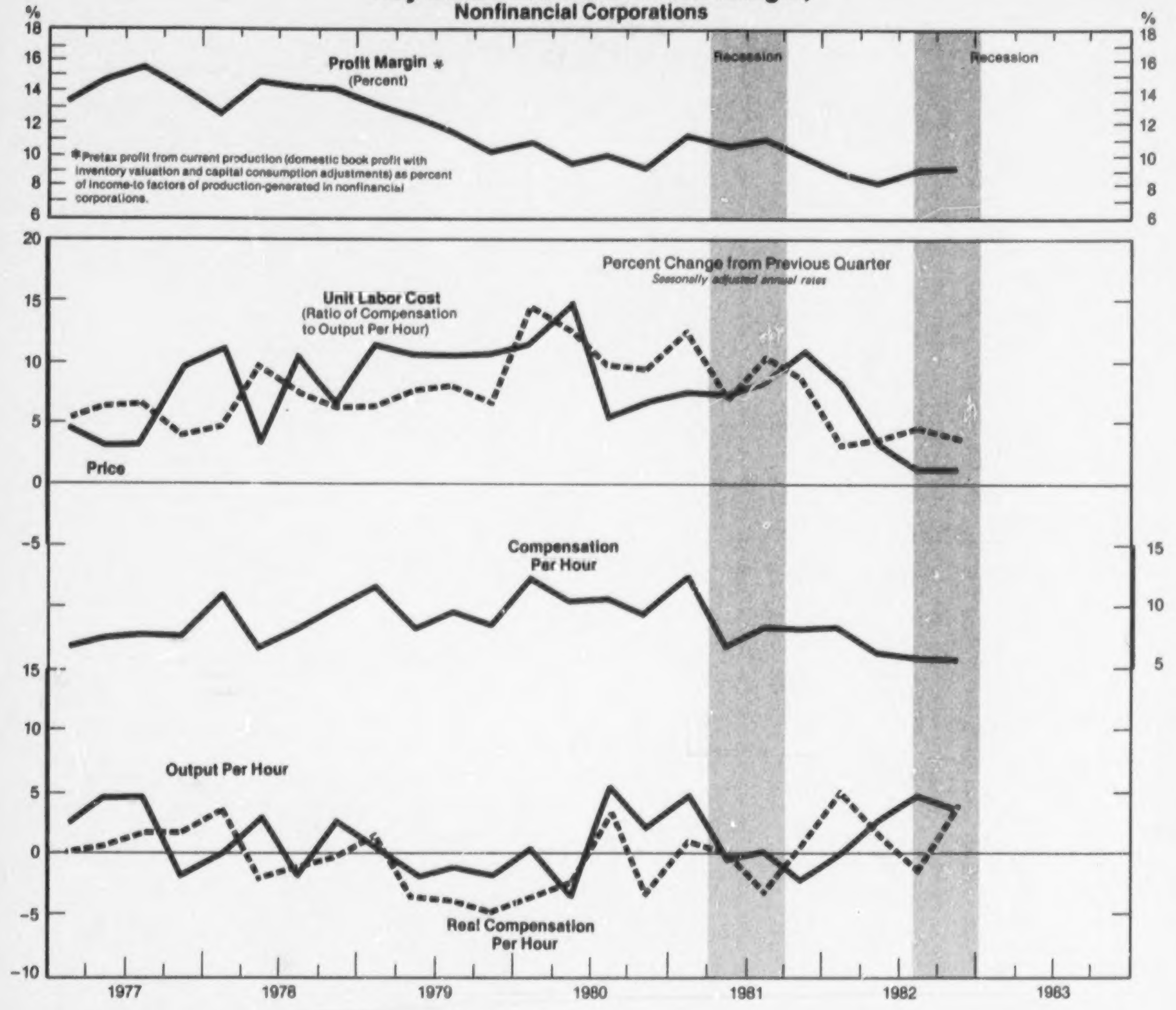


Oil Price



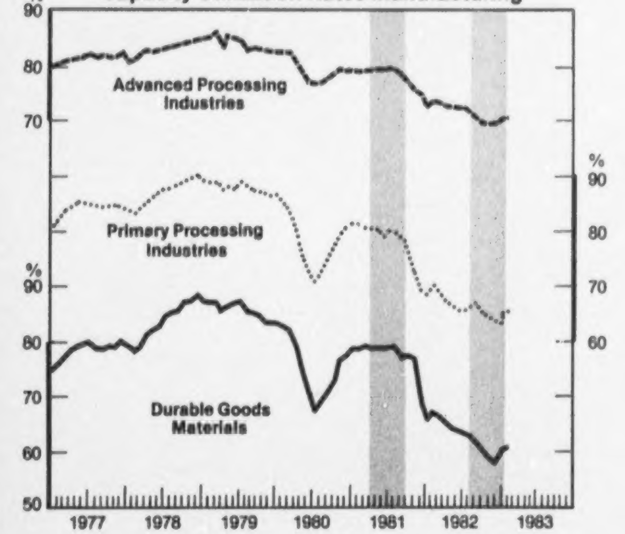
* Source of Forecast in The Energy Information Administration. Departmentof Energy.

Key Determinants of Profit Margin,
Nonfinancial Corporations

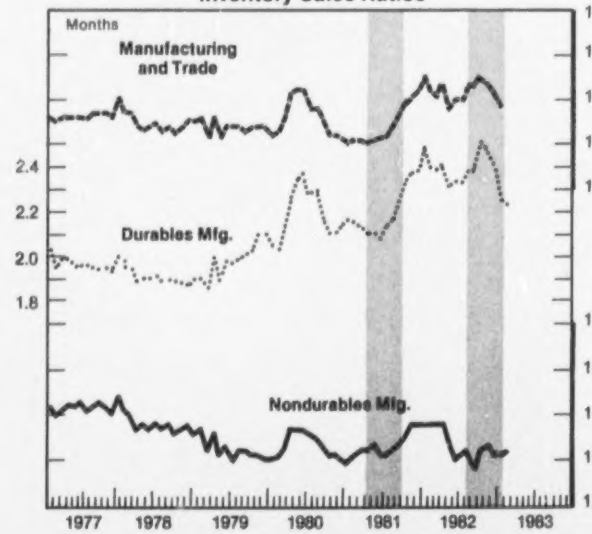


*Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income-to factors of production-generated in nonfinancial corporations.

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[1]		Merrill Lynch Economics Inc.[1]		Kent Economic Institute[2]		Georgia State University[2]	
Date of Forecast			*Feb., 1983*		*Mar., 1983*		*Mar., 1983*		*Mar., 1983*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1982**	**IV**					**$3108.2**	**2.6%**	**$3108.2**	**2.6%**
Forecast	1983	I	$3169.1	9.0%	$3187.2	11.5%	3153.2	5.9	3155.2	6.2
		II	3237.3	8.9	3255.6	8.9	3211.3	7.6	3226.1	9.3
		III	3310.2	9.3	3342.4	11.1	3278.3	8.6	3304.7	10.1
		IV	3396.3	10.8	3429.6	10.9	3364.3	10.9	3379.0	9.3
	1984	I	3488.7	11.3	3511.9	9.9	3444.8	9.9	3439.7	7.4
		II	3579.3	10.8	3596.8	10.0	3531.6	10.5	3505.3	7.8
		III	3669.1	10.4	3691.8	11.0	3616.9	10.0	3589.4	9.9
		IV	3758.2	10.1	3787.0	10.7	3715.0	11.3	3684.1	11.0
	1985	I	3841.7	9.2			3804.2	10.0	3775.9	10.3
	1983	Annual	3278.2	7.2	3303.7	8.0	3251.8	6.3	3266.3	6.8
	1984	Annual	3623.8	10.5	3646.9	10.4	3577.1	10.0	3554.6	8.8
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1982**	**IV**					**$1477.2**	**−1.0%**	**$1477.2**	**−1.0%**
Forecast	1983	I	$1491.1	4.8%	$1494.8	5.8%	1488.7	3.2	1491.0	3.8
		II	1507.1	4.4	1504.8	2.7	1504.6	4.3	1510.4	5.3
		III	1525.9	5.1	1525.6	5.6	1520.7	4.3	1528.2	4.8
		IV	1546.3	5.5	1544.1	4.9	1541.2	5.5	1542.9	3.9
	1984	I	1566.5	5.3	1559.9	4.2	1554.8	3.6	1556.2	3.5
		II	1586.5	5.2	1573.5	3.5	1569.8	3.9	1568.5	3.2
		III	1605.5	4.9	1592.4	4.9	1584.2	3.7	1585.9	4.5
		IV	1621.2	4.0	1610.2	4.5	1605.3	5.4	1606.1	5.2
	1985	I	1634.6	3.3			1622.7	4.4	1625.8	5.0
	1983	Annual	1517.6	2.8	1517.3	2.8	1513.8	2.5	1518.1	2.8
	1984	Annual	1594.9	5.1	1584.0	4.4	1578.5	4.3	1579.2	4.0
Gross National Product Deflator Index, 1972 = 100										
Actual	**1982**	**IV**					**210.4**	**3.7%**	**210.4**	**3.7%**
Forecast	1983	I	212.5	4.1%	213.2	5.4%	211.8	2.7	211.6	2.3
		II	214.8	4.3	216.3	6.0	213.4	3.1	213.6	3.8
		III	216.9	4.0	219.1	5.2	215.6	4.1	216.2	5.1
		IV	219.6	5.1	222.1	5.6	218.3	5.1	219.0	5.2
	1984	I	222.7	5.7	225.1	5.6	221.6	6.1	221.0	3.8
		II	225.6	5.3	228.6	6.3	225.0	6.3	223.5	4.5
		III	228.5	5.3	231.8	5.8	228.3	6.1	226.3	5.2
		IV	231.8	5.9	235.2	5.9	231.4	5.6	229.4	5.5
	1985	I	235.0	5.7			234.4	5.3	232.2	5.1
	1983	Annual	216.0	4.3	217.7	5.1	214.8	3.7	215.1	3.8
	1984	Annual	227.2	5.2	230.2	5.7	226.6	5.5	225.1	4.6
Unemployment Rate										
Actual	**1982**	**IV**	**10.7%**		**10.7%**		**10.7%**		**10.7%**	
Forecast	1983	I	10.3		10.4		10.3		10.4	
		II	10.2		10.3		10.2		10.3	
		III	10.0		10.1		9.7		10.2	
		IV	9.7		9.8		9.3		10.1	
	1984	I	9.3		9.6		9.1		10.0	
		II	9.1		9.4		8.9		10.0	
		III	8.7		9.1		8.6		9.9	
		IV	8.4		8.8		8.2		9.5	
	1985	I	8.2				7.9		9.2	
	1983	Annual	10.1		10.2		9.9		10.3	
	1984	Annual	8.9		9.2		8.7		9.8	

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised fourth quarter data.

[2] Based on revised (second revision) fourth quarter data.

ECONOMIC FORECASTS (continued)

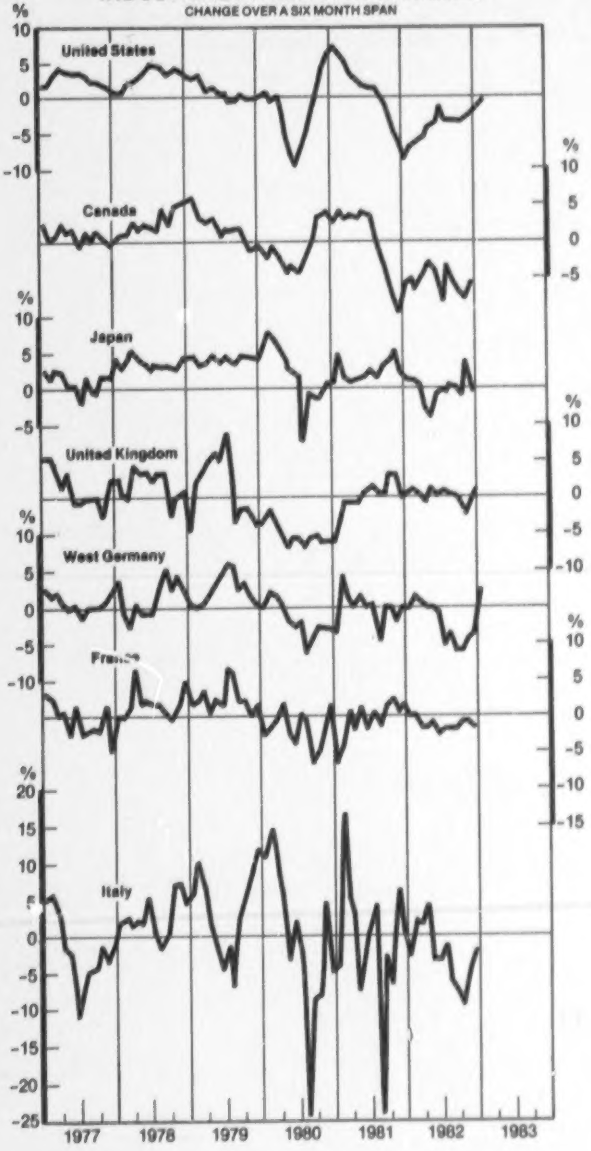
The Conference Board[1]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[3]		Wharton E.F.A. Inc.[4]				
Mar., 1983		*Mar., 1983*		*Mar., 1983*		*Mar., 1983*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3108.2	2.6%	$3108.2	2.6%	$3108.2	2.6%	$3108.2	2.6%	IV	1982	Actual
3168.0	7.9	3174.7	8.8	3177.3	9.2	3160.7	6.9	I	1983	Forecast
3257.0	11.7	3233.9	7.7	3245.9	8.9	3221.7	7.9	II		
3335.0	9.9	3310.1	9.8	3322.2	9.7	3302.5	10.4	III		
3404.0	8.5	3394.0	10.5	3405.4	10.4	3397.9	12.1	IV		
3472.0	8.2	3481.3	10.7	3490.7	10.4	3481.0	10.1	I	1984	
3570.0	11.8	3570.1	10.6	3579.6	10.6	3564.1	9.9	II		
3656.0	10.0	3661.9	10.7	3665.8	10.0	3651.6	10.2	III		
3744.0	10.1	3757.2	10.8	3750.5	9.6	3752.9	11.6	IV		
		3851.4	10.4	3830.1	8.8	3837.9	9.4	I	1985	
3291.0	7.6	3278.2	7.2	3267.7	7.5	3270.7	6.9	Annual	1983	
3610.5	9.7	3617.6	19.4	3621.7	10.2	3612.4	10.4	Annual	1984	
								Gross National Product Billions of Constant (1972) Dollars		
$1477.2	−1.0%	$1477.2	−1.0%	$1477.2	−1.0%	$1477.2	−1.0%	IV	1982	Actual
1493.8	4.6	1493.1	4.4	1491.7	4.0	1491.9	4.0	I	1983	Forecast
1518.7	6.8	1505.2	3.3	1504.5	3.5	1511.2	5.3	II		
1535.3	4.4	1523.2	4.9	1522.6	4.9	1533.9	6.1	III		
1547.2	3.2	1540.0	4.5	1541.3	5.0	1557.1	6.2	IV		
1558.8	3.0	1557.4	4.6	1559.8	4.9	1575.8	4.9	I	1984	
1582.4	6.2	1575.0	4.6	1579.7	5.2	1591.9	4.1	II		
1599.1	4.3	1592.8	4.6	1597.7	4.6	1609.1	4.4	III		
1616.0	4.3	1608.2	3.9	1613.2	3.9	1630.1	5.3	IV		
		1623.3	3.8	1627.2	3.5	1644.7	3.6	I	1985	
1523.8	3.2	1515.4	2.6	1515.0	2.6	1523.5	3.2	Annual	1983	
1589.1	4.3	1583.3	4.5	1587.6	4.8	1601.7	5.1	Annual	1984	
								Gross National Product Deflator Index, 1972 = 100		
210.4	3.7%	210.4	3.7%	210.4	3.7%	210.4	3.7%	IV	1982	Actual
212.1	3.2	212.6	4.3	213.0	5.0	211.9	2.8	I	1983	Forecast
214.5	4.5	214.8	4.2	215.7	5.3	213.2	2.5	II		
217.2	5.3	217.3	4.7	218.2	4.6	215.3	4.0	III		
220.0	5.3	220.4	5.8	220.9	5.1	218.2	5.5	IV		
222.7	5.0	223.5	5.8	223.8	5.3	220.9	5.0	I	1984	
225.6	5.3	226.7	5.7	226.6	5.1	223.9	5.5	II		
228.6	5.4	229.9	5.8	229.4	5.1	226.9	5.6	III		
231.7	5.5	233.6	6.6	232.5	5.4	230.2	5.9	IV		
		237.3	6.4	235.4	5.1	233.3	5.5	I	1985	
215.9	4.3	216.3	4.4	217.0	4.7	214.6	3.6	Annual	1983	
227.2	5.2	228.4	5.6	228.1	5.1	225.5	5.1	Annual	1984	
								Unemployment Rate		
10.7%		10.7%		10.7%		10.7%		IV	1982	Actual
10.5		10.4		10.2		10.4		I	1983	Forecast
10.2		10.4		10.1		10.1		II		
10.0		10.4		9.9		9.9		III		
9.9		10.4		9.6		9.6		IV		
9.9		10.2		9.4		9.3		I	1984	
9.5		10.0		9.2		9.1		II		
9.2		9.7		8.9		8.9		III		
9.0		9.3		8.6		8.5		IV		
		9.1		8.7		8.3		I	1985	
10.2		10.4		10.0		10.0		Annual	1983	
9.4		9.8		9.1		8.9		Annual	1984	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900

SELECTED INTERNATIONAL COMPARISONS

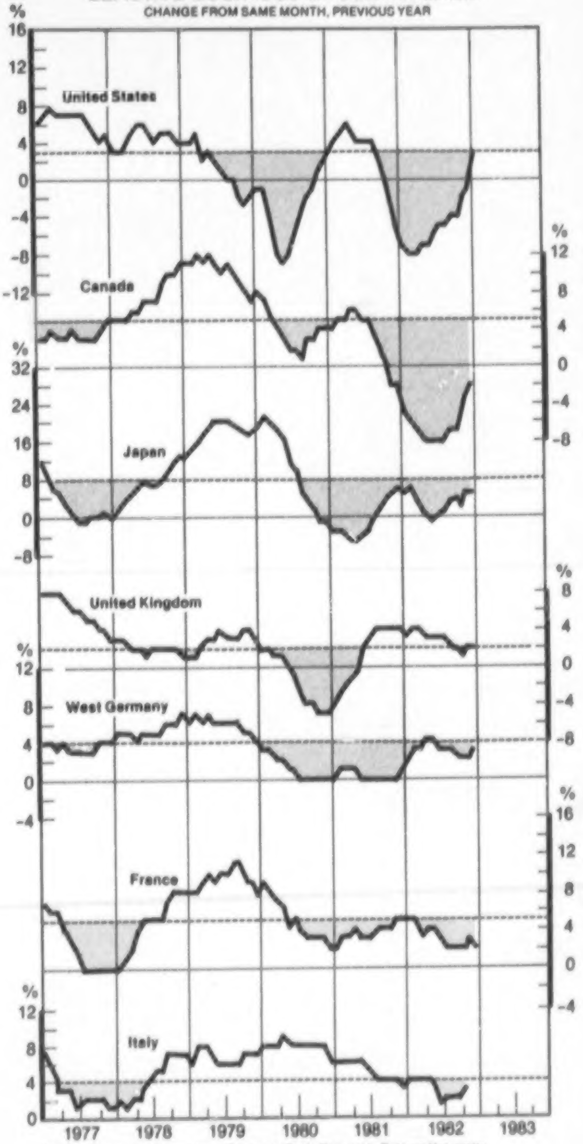
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



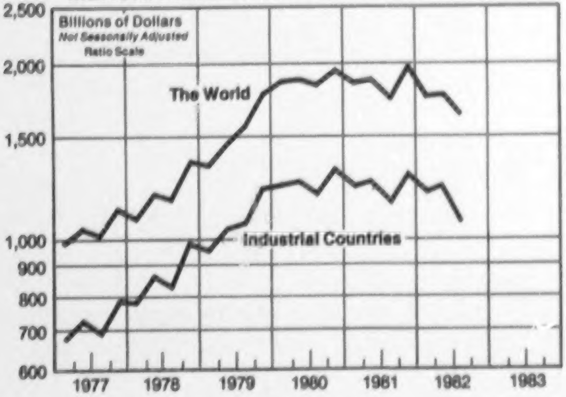
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM SAME MONTH, PREVIOUS YEAR

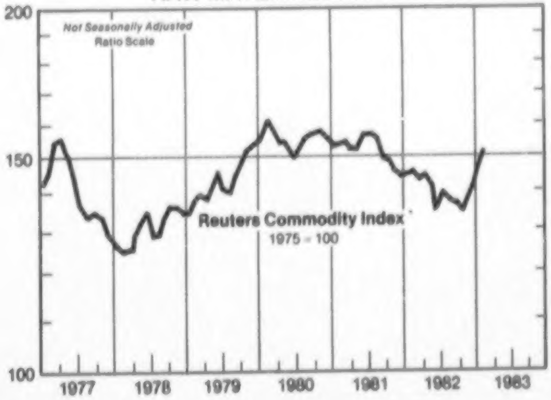


Source: Center for International Business Cycle Research, Rutgers University.

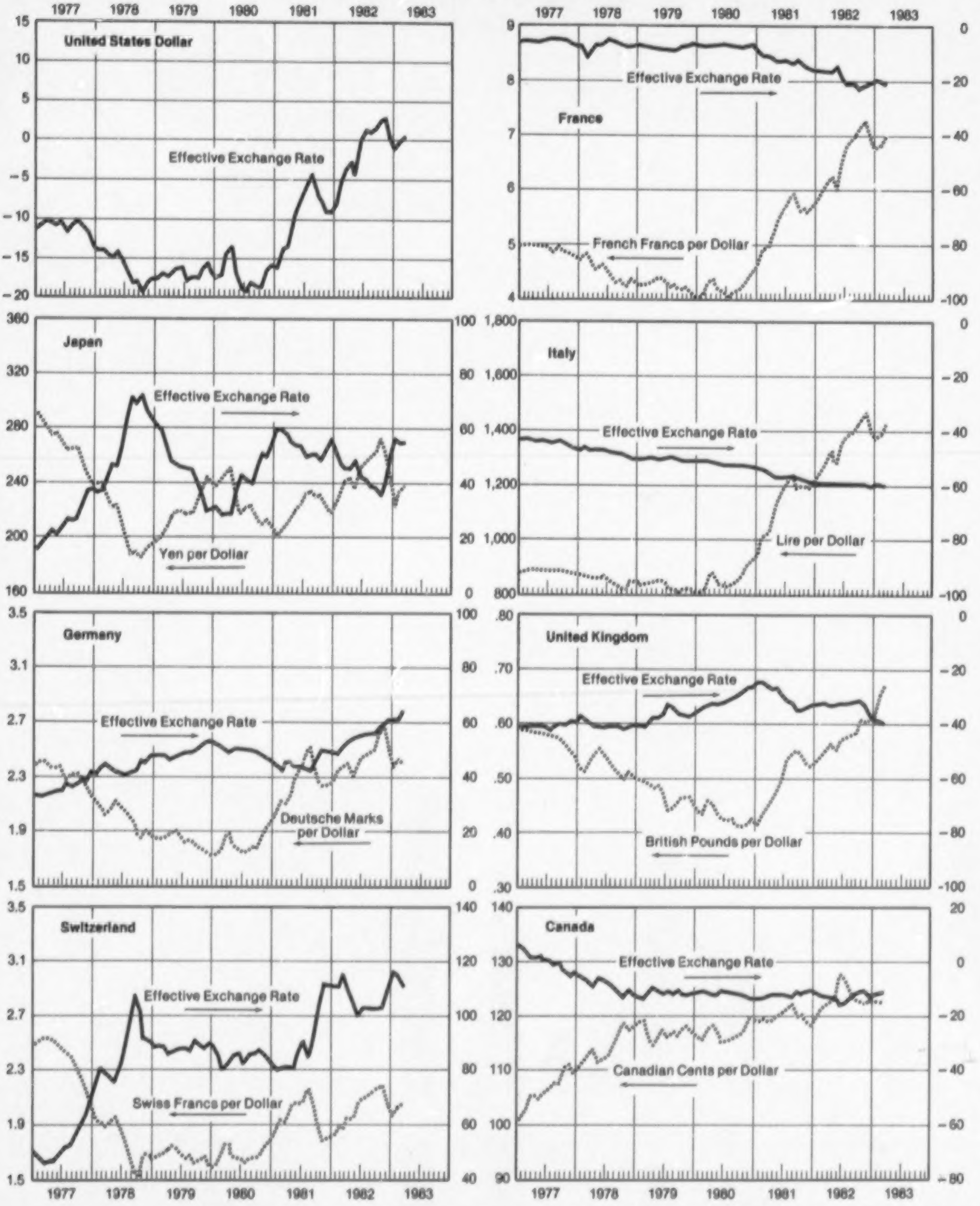
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies, weighted according to the average bilateral manufactures trade of 1976. Changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

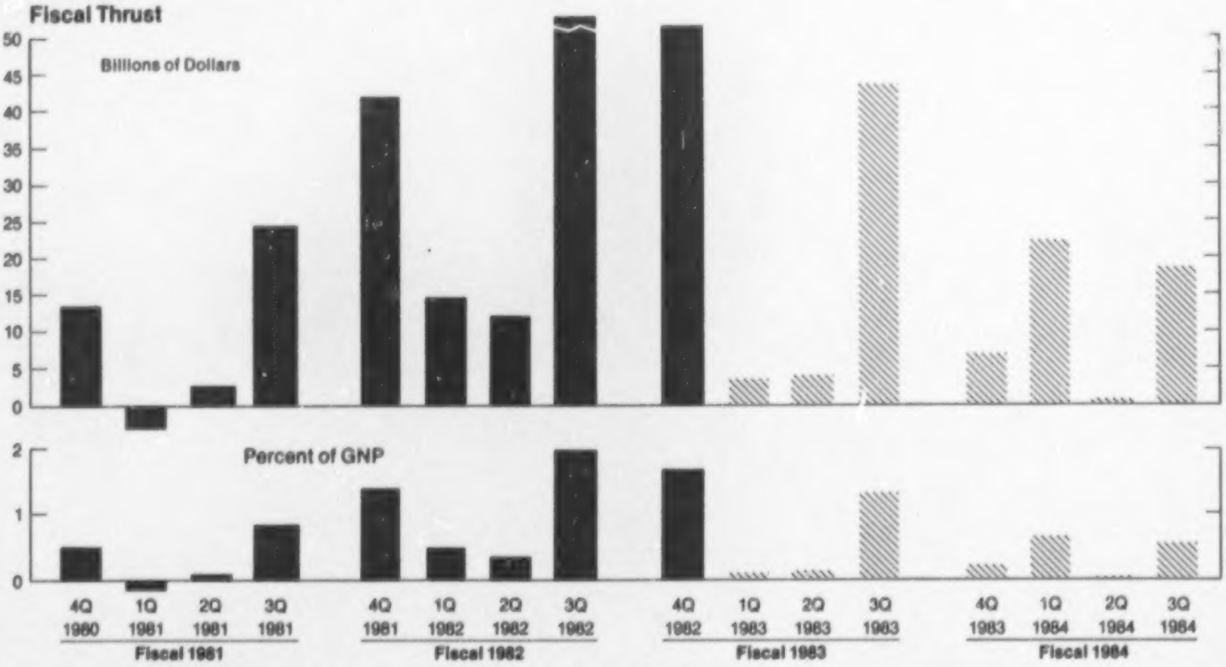
Source: Morgan Guaranty Trust

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1982	Fiscal 1983		Fiscal 1984		
	Actual	*President's Proposal*	*Congressional Estimate*	*Current Services*	*President's Proposal*	*Congressional Estimate*
	(10/26/82)	*(1/31/83)*	*(9/1/82)*	*(1/31/83)*	*(1/31/83)*	*(3/16/83)*
Receipts	**$617.8**	**$597.5**	**$633.0**	**$648.8**	**$659.7**	**$689.1**
Outlays	**728.4**	**805.2**	**788.0**	**880.3**	**848.5**	**863.6**
Deficit	**−110.6**	**−207.7**	**−155.0**	**−231.5**	**−188.8**	**−174.5**
Receipts by source	**617.8**	**597.5**	**633.0**	**648.8**	**659.7**	**689.1**
Individual income taxes	298.1	285.2	298.0	295.8	295.6	
Corporate income taxes	49.2	35.3	47.0	51.9	51.8	
Social insurance	201.1	210.3	217.0	231.7	242.9	242.3
Other receipts	69.4	66.7	71.0	69.4	69.4	
Outlays by function	**728.4**	**805.2**	**788.0**	**880.3**	**848.5**	**863.6**
Income security	248.8	282.5	270.0	289.7	282.4	284.7
National defense	187.4	214.8	216.0	253.7	245.3	235.4
Health	74.0	82.4	79.0	92.9	90.6	96.0
Veterans' benefits	24.0	24.4	24.0	26.1	25.7	25.6
Education and manpower	25.4	26.7	27.0	27.1	25.3	32.7
Transportation	20.6	21.9	20.0	26.1	25.1	26.2
International affairs	10.0	11.9	13.2	12.8	13.2	13.2
Agriculture	14.8	21.1	15.0	15.3	12.1	14.7
Natural resources and environment	13.1	12.1	11.0	11.2	9.8	12.5
General science	7.1	7.8	8.0	8.1	8.2	8.4
Community development	7.4	7.4	8.0	7.2	7.0	8.6
Revenue sharing	6.2	6.4	6.0	7.2	7.0	7.6
General government	4.8	5.8	5.0	5.9	6.0	6.1
Justice	4.6	5.3	5.0	5.5	5.5	5.5
Energy	4.8	4.5	5.0	4.1	3.3	4.3
Commerce and housing credit	3.8	1.9	2.0	2.1	0.4	2.3
Interest	100.8	88.9	115.0	105.2	103.2	96.2
Allowances	—	—	−3.0	1.9	0.9	1.3
Undistributed offsetting receipts	−29.3	−20.4	−36.0	−21.6	−22.8	−17.4

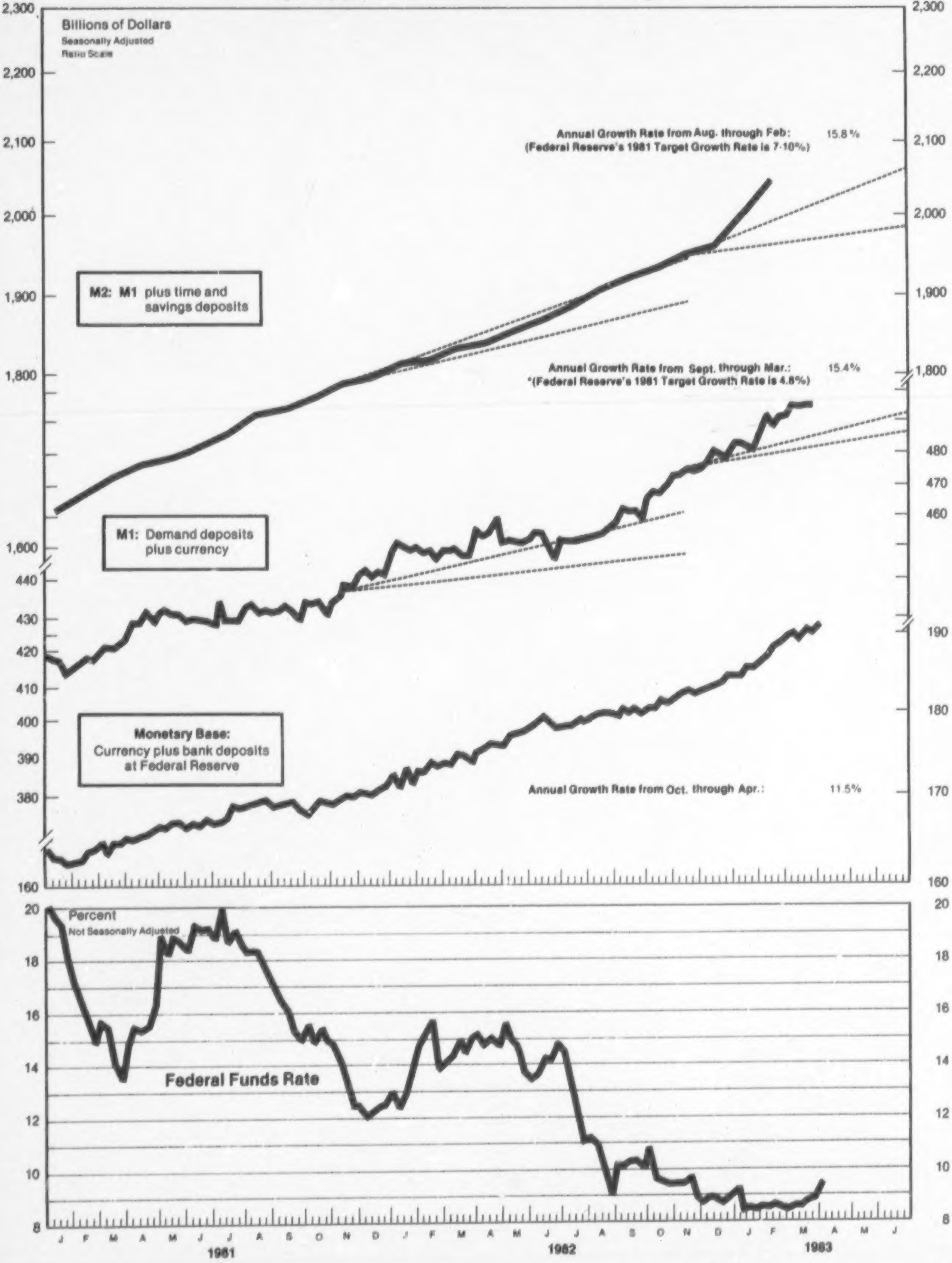
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York: 1980

Money Supply and Monetary Growth Targets



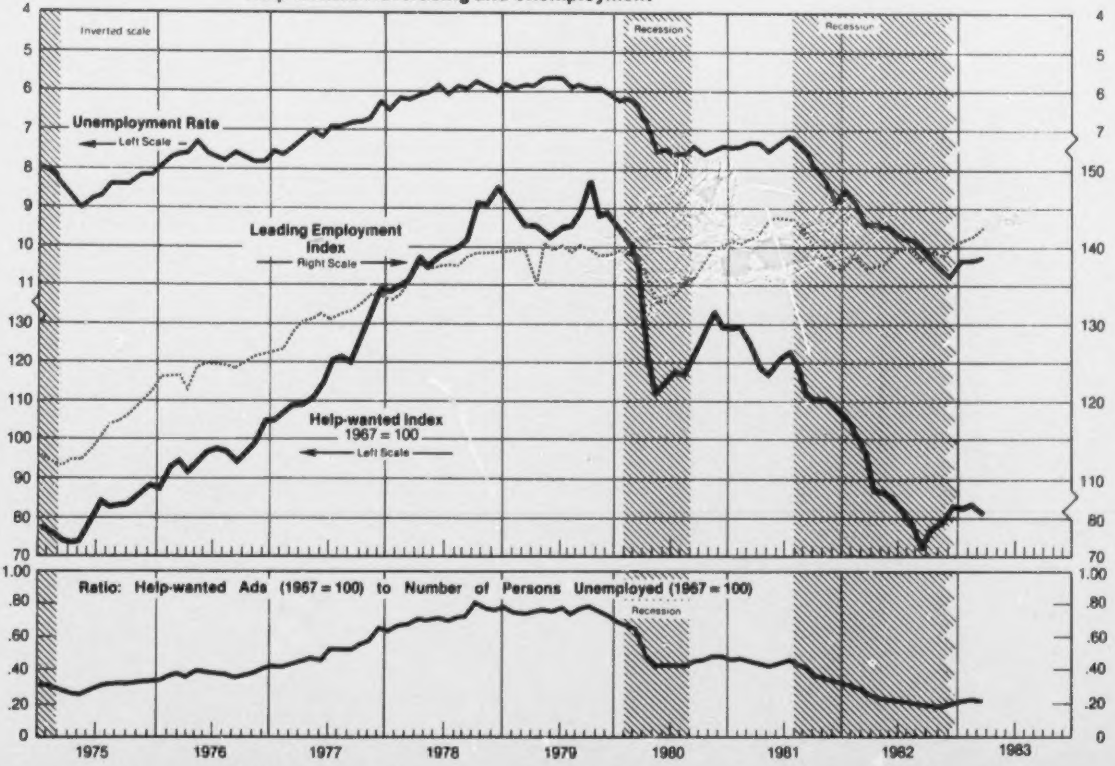
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1983		1982	
	Feb.	Jan.	Dec.	Feb.
Total Index				
51 papers	83	83	83	103
New England	85	84	86	92
Boston	95	92	93	101
Hartford	87	88	94	100
Providence	51	52	54	56
Middle Atlantic	44	43	45	55
Albany	78	78	76	86
Allentown	97	112	94	104
New York	38	37	41	49
Philadelphia	36	39	40	47
Pittsburgh	46	48	49	63
Rochester	48	48	53	68
Syracuse	93	62	66	75
East North Central	46	44	47	53
Chicago	42	39	45	51
Cincinnati	70	66	66	73
Cleveland	35	36	39	51
Columbus	75	75	70	84
Dayton	45	45	45	51
Detroit	35	36	34	38
Gary	92	90	107	106
Indianapolis	54	46	47	59
Milwaukee	32	33	37	40
Toledo	64	65	64	75
West North Central	46	47	45	54
Kansas City	66	65	68	78
Minneapolis	35	35	33	46
Omaha	76	85	75	88
St. Louis	38	37	33	39
South Atlantic	94	96	94	102
Atlanta	154	147	148	158
Baltimore	60	73	71	70
Charlotte	79	82	75	91
Jacksonville	129	128	142	112
Miami	66	64	60	81
Richmond	61	59	56	60
Washington, D.C.	96	99	94	109
East South Central	89	86	82	96
Birmingham	89	90	91	104
Knoxville	144	125	132	166
Louisville	52	47	46	52
Memphis	74	74	71	83
Nashville	119	122	102	117
West South Central	195	205	205	290
Dallas	238	251	255	266
Houston	263	274	272	444
New Orleans	110	116	112	155
Oklahoma City	116	123	143	230
San Antonio	138	138	121	174
Tulsa	102	120	118	209
Mountain	169	163	161	210
Denver	138	133	133	181
Phoenix	206	191	185	233
Salt Lake City	175	183	181	234
Pacific	122	120	118	149
Los Angeles	97	95	89	131
Sacramento	203	218	212	216
San Bernardino	101	101	96	130
San Diego	235	236	223	272
San Francisco	117	113	114	139
Seattle	145	139	160	145
Percentage of papers with rising volume	39%	51%	86%	29%
Unemployment rate	10.4%	10.4%	10.8%	8.8%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1981	70.0	63.5	71.8	75.0	79.9	79.6	78.6	78.6	70.4	67.4	61.6	59.4
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8r	76.5p									

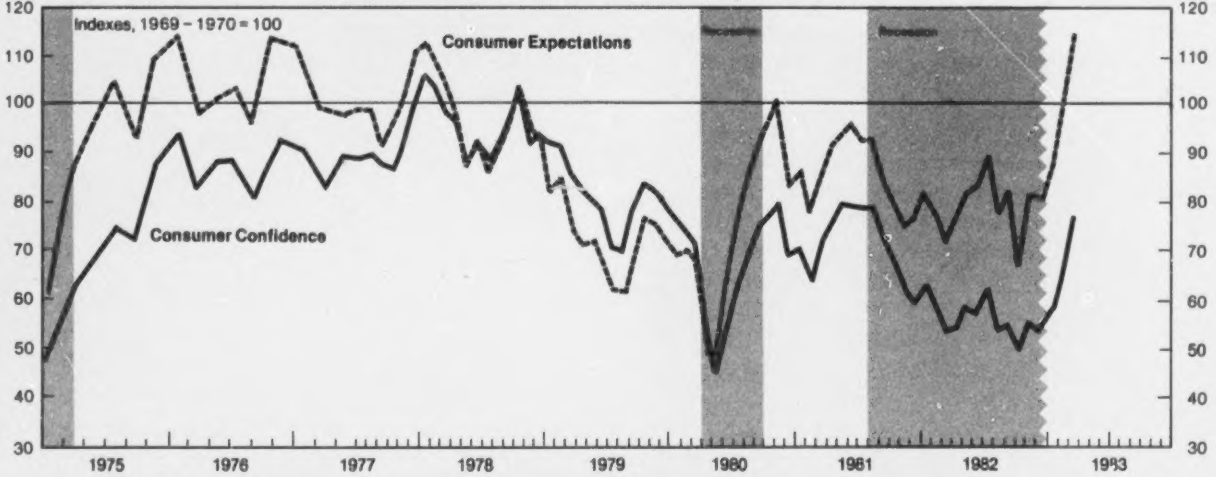
Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1981	87.5	90.5	98.0	85.9	84.8	89.5	78.7	96.7	90.3	86.2	89.8	99.2
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8r	81.2p									

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of familiss. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

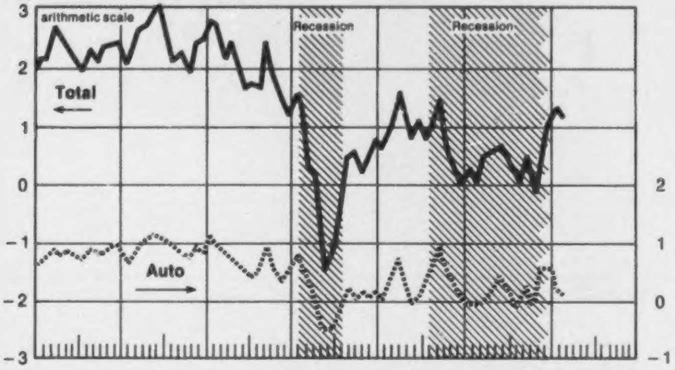
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	**IIIr**	$1689.8	$608.4	$422.9	$185.5	69.5%	25.0%	15.5%	9.2%
	IVr	1714.9	604.0	437.0	167.0	72.3	25.5	14.0	8.5
1979	**Ir**	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	IIr	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	IIIr	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IVr	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	**Ir**	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	IIr	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	IIIr	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IVr	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	**Ir**	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	IIr	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	IIIr	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IVr	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	**Ir**	2319.9	746.3	530.1	216.2	71.0	22.9	13.2	11.6
	IIr	2365.2	752.8	543.0	209.8	72.1	23.0	13.6	11.0
	IIIp	2436.8	798.3	550.6	247.7	69.0	22.6	14.4	12.6

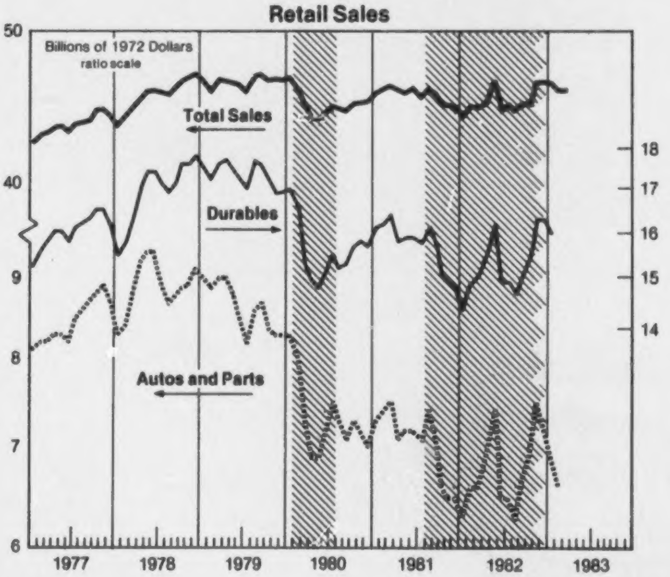
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



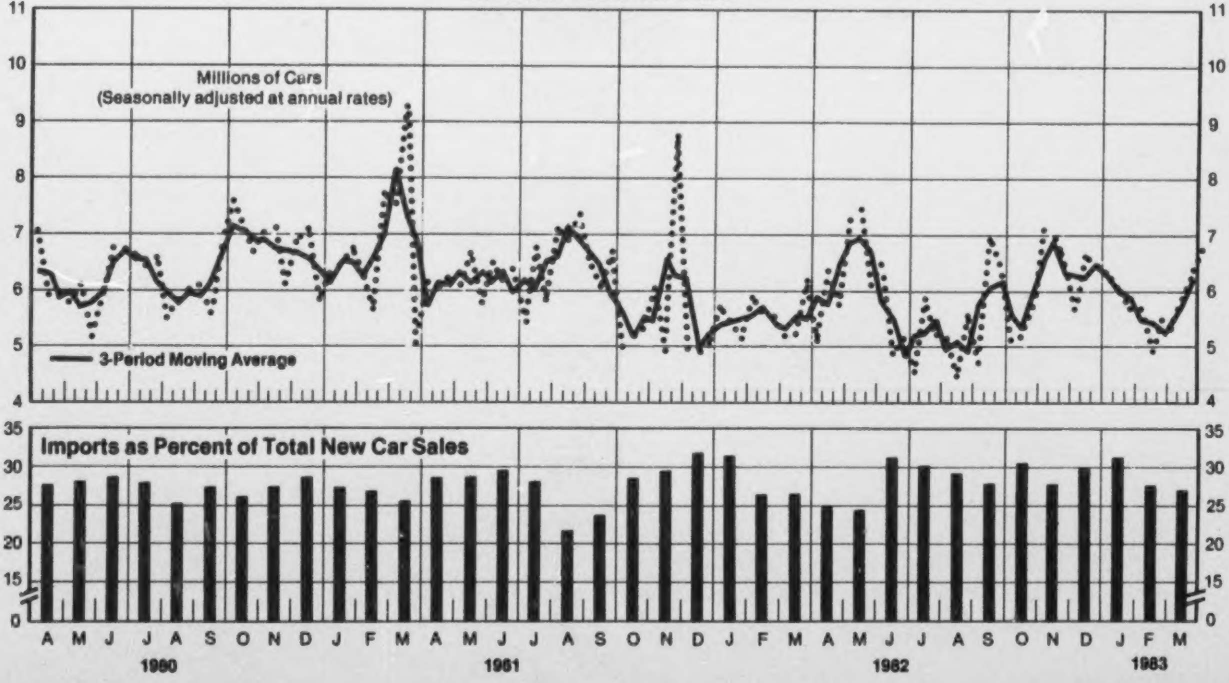
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1980	1981	1982	1983
January:	1-10	7.87	6.27	5.68	6.34
	11-20	7.08	6.44	5.43	6.08
	21-31	9.17	6.74	5.17	5.69
February:	1-10	6.88	6.30	5.88	5.68
	11-20	8.28	5.65	5.61	4.93
	21-28(29)	6.36	7.70	5.54	5.55
March:	1-10	6.98	7.55	5.18	5.32
	11-20	7.18	9.29	5.24	5.62
	21-31	6.12	5.02	6.16	6.22
April:	1-10	7.02	6.18	5.11	6.72
	11-20	5.94	6.01	6.38	
	21-30	5.90	6.22	5.77	
May:	1-10	5.78	6.09	7.26	
	11-20	6.10	6.64	7.47	
	21-31	5.17	5.76	6.06	
June:	1-10	5.95	6.50	6.51	
	11-20	6.78	6.18	4.83	
	21-30	6.74	6.35	5.17	
July:	1-10	6.60	5.45	4.54	
	11-20	6.41	6.78	5.88	
	21-31	6.59	5.80	5.22	
August:	1-10	5.44	7.08	5.18	
	11-20	5.81	6.91	4.48	
	21-31	6.00	7.38	5.58	
September:	1-10	6.05	6.57	4.70	
	11-20	5.58	6.09	6.95	
	21-30	6.74	6.67	6.49	
October:	1-10	7.60	4.98	5.09	
	11-20	7.09	5.18	5.16	
	21-31	6.49	5.32	5.68	
November:	1-10	7.03	6.05	7.10	
	11-20	7.10	4.93	6.94	
	21-30	6.11	8.75	6.49	
December:	1-10	6.88	4.98	5.64	
	11-20	7.08	4.88	6.62	
	21-31	5.81	5.03	6.46	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



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The Conference Board

COMMENT

The recovery phase of the business cycle is now a few months under way and it has apparently taken root, begun to broaden its base and deepen in scope. Recovery began last January with an unexpectedly quick start, resulting from a swing in the inventory cycle and a strong showing in home building. The latter was most surprising in view of the still very high borrowing costs on both short-term financing and loans of longer maturity. While some boost to activity is undoubtedly still accruing from the swing in inventory policy, that swing by itself is simply too meager a diet to nourish the recovery for long. And home construction has indeed shown that it cannot continually leap tall interest rates in a single bound. All of this merely says that, while this recovery was not consumer-led at the start, it has to be consumer-sustained or it will come to a premature halt. The likelihood of this recovery losing momentum is diminishing rapidly.

Increases in industrial production and factory operating rates were not very sizable in the first quarter—but the direction was up, not down. Consumer attitude surveys suggested that the public viewed these gains in production as signs that employment would begin to expand and that at least some workers would be called back from layoffs. It is important to remember that high unemployment and fears that it could get even worse were important factors in the extremely low level of consumers' economic expectations last Fall. Now that the news reports consist more of job gains than new rounds of cutbacks, expectations are improving. The Conference Board's *Consumer Confidence Index,* which hit bottom at 49.7 (1969-1970 = 100) last October, improved to 77.1 in March, and remained at that level in April.

Employment has indeed risen: There were 359,000 more jobs in April than in January. Those added jobs mean more paychecks, giving a lift to aggregate spending power. Personal income, adjusted for inflation, rose by one-half percent in March, or 5.7% at an annual rate. Discretionary Purchasing Power—available spending power after the essentials, like housing, food, transportation and clothing have been taken care of—rose fairly sharply in the fourth quarter of 1982 (see *The Conference Board's Estimates of Discretionary Purchasing Power and Spending* table), and it seems a safe bet that another strong gain was achieved in the first quarter of 1983.

Greater willingness and ability to spend are generating higher consumer demand. Retail sales, adjusted for inflation, were 1.3% higher in April than three months earlier. That gain resulted from more spending on cyclically sensitive durable consumer goods, especially cars. New, domestic *Automobile Sales* had been trending down from November through February, but have since begun to improve. Consumers were buying new domestic models at a seasonally adjusted annual rate of only 5.39 million in February. That selling rate picked up to 5.72 million in March and to 6.68 million in April. The really good news, then, is that car buying, in particular, and consumer demand in general, appear to be rebounding even more strongly in the second quarter of 1983 than in the first.

The *Economic Forecasts* imply that recovery is gaining momentum in the second quarter, and that the threat of the recovery stalling is diminishing. Real GNP grew at a seasonally adjusted 3.1% annual rate in the first quarter of 1983. Forecasts of growth in real output in the second quarter range from 3.7% to 6.9%, with a median of 4.4 percent. The 2.3% rise in industrial production in April is consistent with these expectations. Further, the pace of recovery is anticipated to be even quicker in the third qurter, with the median forecast showing real GNP rising by 5.5 percent. Growth is then expected to settle in a range of 4 to 5% through the forecast horizon (second quarter of 1985). (NOTE: Beginning with this issue, the forecast of the economist's office of E.I. duPont de Nemours & Company replaced that of the Kent Econometric Institute).

Even though the *Economic Forecasts* indicate that this recovery can now be expected to continue at a reasonably comfortable pace, not too sluggish nor too rapid, the economy is not completely out of the woods. Any list of trouble spots on the road to economic health must prominently include the very large prospective government deficits. Given the current state of slack credit demand, the sizable financing requirements implied by large deficits do not pose an immediate threat to recovery. But they are a potential roadblock later in the journey.

The prospect of big deficits out into future years is surely a factor underpinning the still very high level of interest rates. As indicated on the *Money Supply and Monetary Policy* chart, money supply expansion has been quite rapid. The consequent increase in bank deposits means that lendable funds have risen sharply. Yet demand for those funds is not growing. In fact, business loans fell in February and did not recover all of

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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25 McArthur Road
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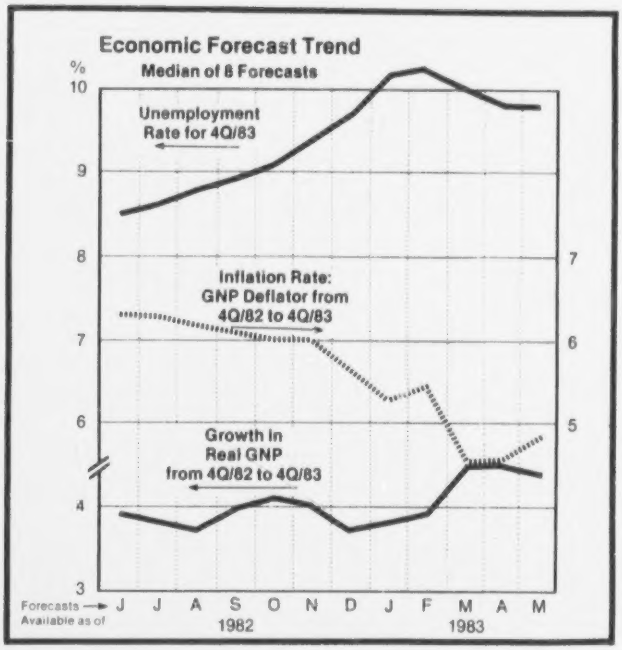
845 Third Avenue
New York, New York 10022

The Conference Board, Inc.
Avenue Louise, 207 Bte 5
B-1050 Brussels, Belgium



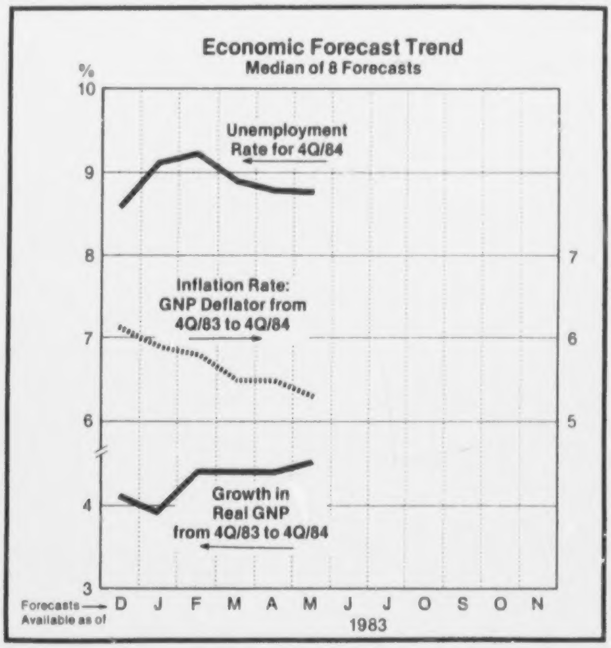
that decline in March. Thus, the supply of credit is up, and demand is not very strong, but interest rates are not coming down. The Federal Funds rate—the rate at which banks borrow from other banks—remains fixed at about 8½% well into May, and the prime rate continues to hold at 10½ percent. In addition to concern over the deficit, financial markets probably remain nervous about a strengthening of economic expansion that leads to much higher demand for private credit. But the expansion is being limited by the prevailing high interest rates. There is also some concern about potentially higher inflation down the road. The *Economic Forecasts,* however, indicate that inflation, as measured by the GNP deflator, is not going to be above 6% any time within the forecast horizon.

The high level of domestic interest rates, as well as the taming of inflation, continues to support a high value for the dollar in international currency markets. The trade-weighted average *Exchange Rate* of the dollar against other major currencies in April was 1.1% higher than June, 1970 parities. That is about 2 percentage points lower than the post-1970 high levels of last Fall. However, the dollar remains overvalued and that limits exports and worsens the trade deficit. Indeed, the whole system of floating exchange rates is being called into question. One topic that is sure to be discussed, but just as sure to be unresolved, at the economic summit meeting in Williamsburg at the end of May is what to do about adjusting currency exchange rates.

The recovery has not broadened and deepened enough to reach either capital investment or labor-market conditions. Returns from The Conference board's *Capital Appropriations and Expenditures* survey indicate that investment by the nation's 1,000 largest manufacturers was probably flat in the first quarter of 1983. While that is clearly an improvement over recent declines, it still implies that it is too early to expect investment in new plant and equipment to lend much strength to the recovery.

All the indications of healthy and sustained economic progress notwithstanding, depressed labor market conditions are going to be here for awhile. As we have mentioned in this space several times in recent months, production can be expected to expand faster than employment all through this year and probably into next. This is another way of saying that labor productivity will be rising, which was certainly the case in the first quarter. The Conference Board's *Help-wanted Index* remained unchanged from December through March, and early returns point to a small decline in April. The national unemployment rate stood at 10.2% in April and, as indicated on the accompanying charts, the median of the *Economic Forecasts* is that it will only improve to 9.8% by the fourth quarter of this year, and to 8.8% by the fourth quarter of 1984.

Ken Goldstein
May 13, 1983

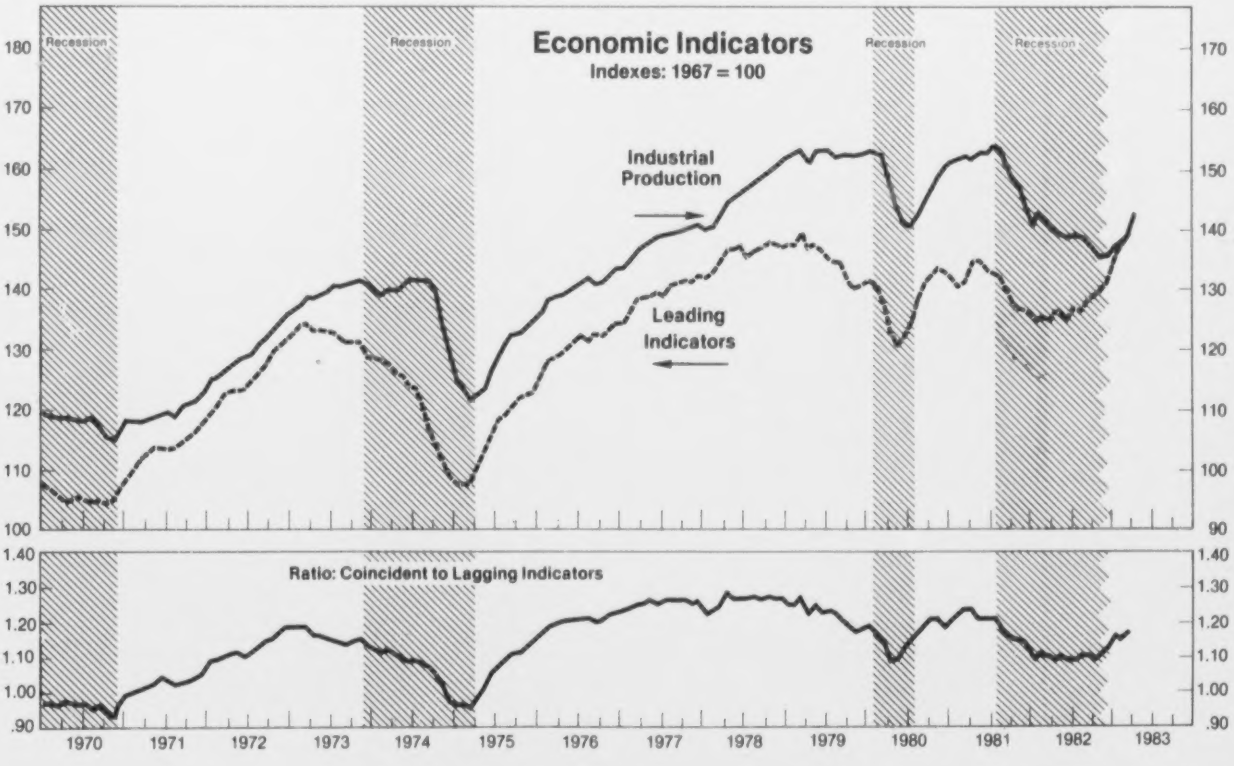


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Mar.	X			+ 6.2%	+ 11.2%
Capital Investment Commitments						
*Contracts & orders, plant & equipment (deflated)	Mar.			X	— 7.3%	— 9.0%
New orders, nondefense capital goods (deflated)	Mar.			X	— 5.9%	— 8.3%
*Net business formation	Mar.	X			+ 2.2%	+ 2.7%
*Housing permits	Mar.		X		+ 11.9%	+ 71.6%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Mar.		X		+ 7.2%	0
*Change in inventory, on hand & order (deflated)	Feb.		X		— 7.8%	+ 1.8%
Purchasing agents' buying policy	Apr.	X			+ 5 %	+ 1 %
*Vendor performance, reported slower deliveries	Mar.	X			+ 12 %	+ 15 %
Industrial raw materials prices	Apr.	X			+ 9.6%	+ 2.6%
*Change in sensitive prices	Mar.	X			+ 2.5%	+ 2.5%
Sensitive Financial Flows						
*Money balance (M1 deflated)	Mar.	X			+ 5.3%	+ 9.0%
Change in business loans	Mar.	X			+ 66.6%	—15.6%
*Change in liquid assets	Mar.		X		+ 2.7%	— 7.7%
Change in consumer installment debt	Feb.		X		+ 15.3%	+ 12.3%
Profitability						
Total corporate profits, after tax (deflated)	4th Q		X		— 1.8%	—21.2%
*Common stock prices	Apr.	X			+ 8.2%	+ 34.3%
Marginal Employment Adjustments						
*Average workweek, mfg.	Apr.	X			0.3hr.	+ 1.1hr.
*Initial unemployment claims (inverted)	Mar.	X			9.8%	+ 15.4%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) 1977, p. 15.

*These twelve series make up the Composite Leading Index charted below.



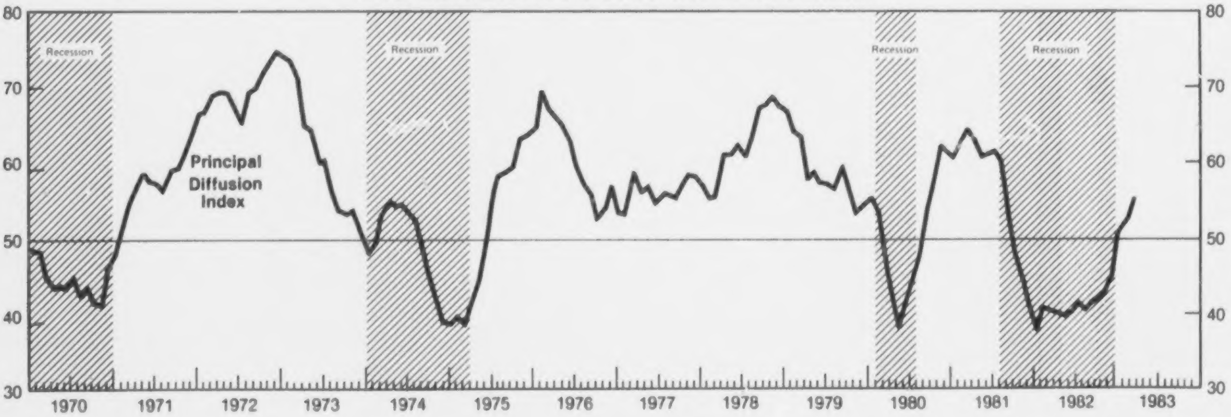
CONFERENCE BOARD DIFFUSION INDEXES

	1982		1983		
DIFFUSION INDEXES	Mar.	Dec.	Jan.	Feb.	Mar.(e)
Principal Diffusion Index	40.4	45.8r	50.5r	52.3r	55.7
Auxiliary Diffusion Index	48.4	59.1r	65.3r	55.8r	61.0
Industrial Group	31.5	37.4r	45.0r	47.2r	54.0
Nonindustrial Group	49.5	54.2	56.1	57.5	57.4
Sense of Diffusion	— 1	0	0	0	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	41.0	32.9	37.2	46.6r	55.6
Labor	21.2	31.8r	41.5r	44.1r	49.6
Miscellaneous	42.9	58.3	65.4	55.8	62.8
Nonindustrial Subgroups					
Prices	35.9	42.3	51.3	59.6	67.3
Consumer	59.0	75.6	74.8	68.8	68.4
Building	41.7	40.4	49.4	49.4r	42.3
Miscellaneous	54.1	50.0	45.1	50.2r	50.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1980			*1981*				*1982*			
	May	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*
	Score (scale 0-100)										
Measure of Business Confidence	29	49	63	58	61	57	43	47	52	55	60
1. Appraisal of Current Economic Conditions Compared With Six Months Ago.............	16	28	59	50	57	48	26	23	30	38	44
2. Expectations for Economy, Six Months Ahead........................	31	60	67	63	64	63	51	59	64	65	70
3. Expectations for Own Industry, Six Months Ahead........................	40	60	63	61	61	60	52	58	61	61	65

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1981			1982				Percent Change From Previous Year		
	II	III	IV	I	II	IIIr	IVp	1981 Actual	1982 Actual	1983 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	28.060	26.938	22.992	25.767	19.331	18.482	21.517	2	—18	12
Capital expenditures	24.580	26.217	26.174	26.924	25.734	23.926	22.700	15	— 3	— 1
Change in appropriations backlog*	+ 2.736	+ 1.164	—4.602	—1.629	—8.289	—8.527	—3.142			
Durable Goods										
New appropriations	11.488	11.549	9.532	8.446	7.308	7.543	8.287	—5	—25	10
Capital expenditures	10.405	11.079	10.965	11.161	10.663	9.629	9.108	4	— 6	—15
Change in appropriations backlog*	+ 0.757	+ 0.964	—1.953	—2.994	—4.165	—4.267	—1.339			
Nondurable Goods										
New appropriations	16.572	15.389	13.460	17.321	12.023	10.939	13.230	7	—14	12
Capital expenditures	14.175	15.138	15.209	15.763	15.071	14.297	13.592	24	0	8
Change in appropriations backlog*	+ 1.979	+ 0.200	—2.649	+ 1.365	—4.124	—4.260	—1.803			
ELECTRIC & GAS UTILITIES										
New appropriations (r)	12.209	9.678	8.916	8.939	8.303	10.490	10.873p			
Capital expenditures (r)	8.016	8.491	8.424	8.919	8.804	8.925	9.334p			
Change in appropriations backlog* (r)	+ 3.273	—8.338	—3.677	—8.995	—1.871	+ 0.713	—4.490p			

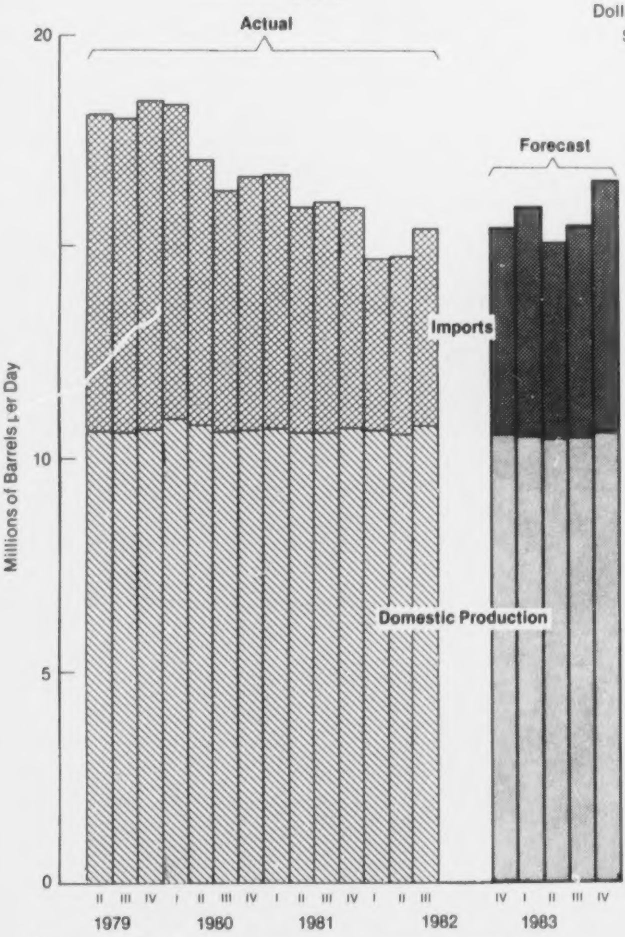
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

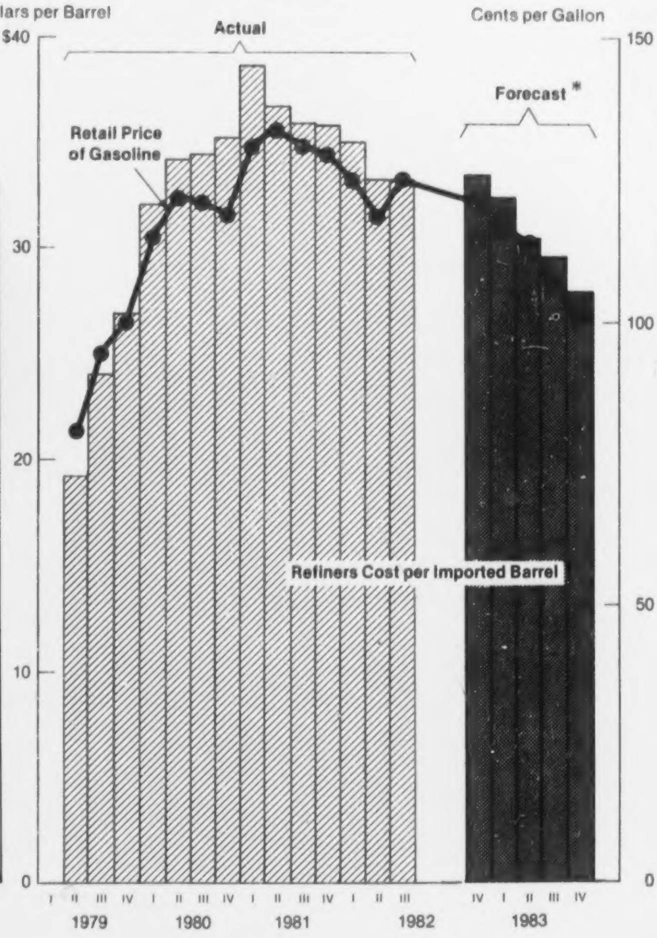
* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply

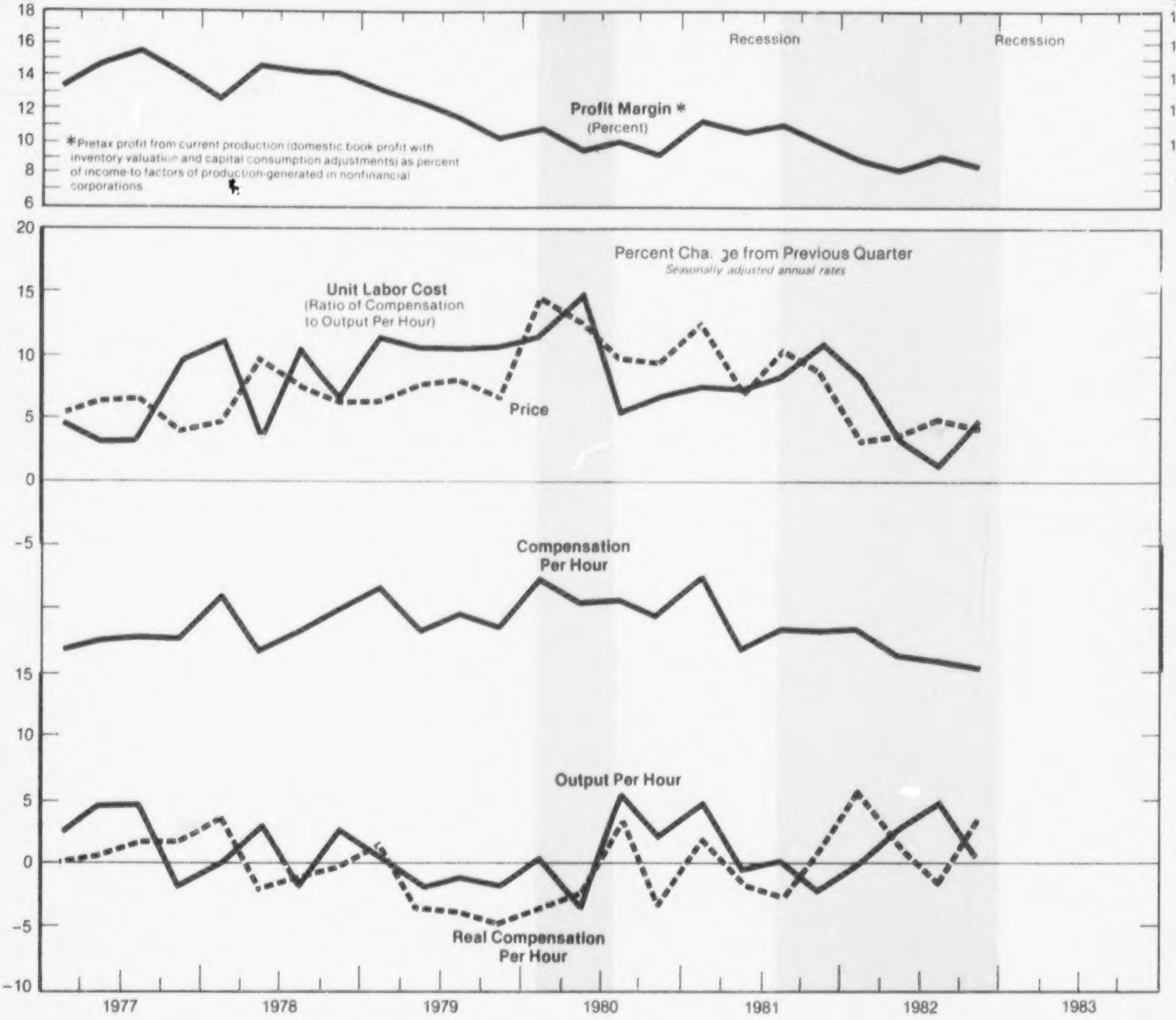


Oil Price



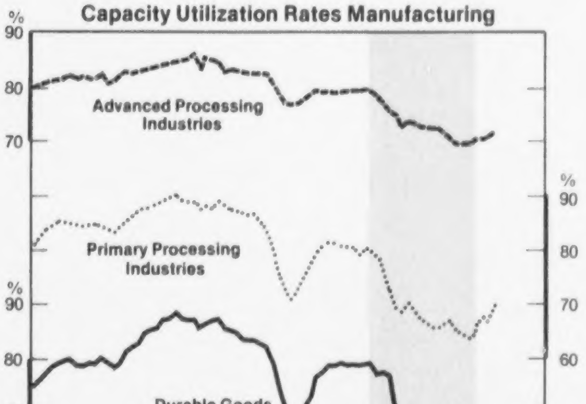
* Source of Forecast in The Energy Information Administration Departmentof Energy

Key Determinants of Profit Margin, Nonfinancial Corporations

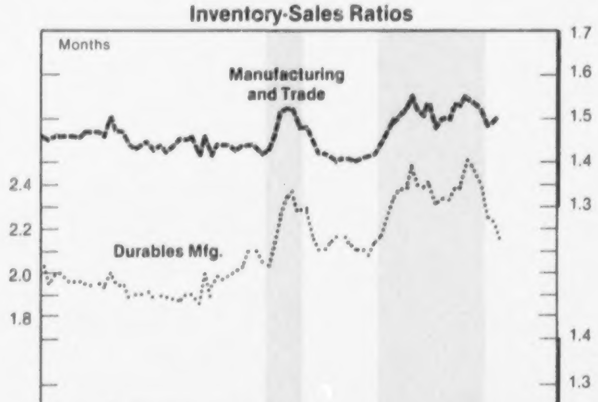


*Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income-to factors of production-generated in nonfinancial corporations

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*Apr., 1983*		*Apr., 1983*		*Apr., 1983*		*Apr., 1983*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1983**	**I**	**$3176.7**	**9.1%**			**$3176.7**	**9.1%**	**$3176.7**	**9.1%**
Forecast	1983	II	3244.8	8.9	$3261.0	10.1%	3227.2	6.5	3255.5	10.3
		III	3323.7	10.1	3346.6	10.9	3281.0	6.8	3340.1	10.8
		IV	3406.7	10.4	3431.3	10.5	3339.8	7.4	3408.0	8.4
	1984	I	3497.3	11.1	3508.1	9.3	3407.8	8.4	3487.2	9.6
		II	3588.1	10.8	3596.4	10.5	3498.9	11.1	3565.5	9.3
		III	3678.1	10.4	3692.9	11.2	3570.7	8.5	3652.5	10.1
		IV	3767.2	10.0	3788.4	10.8	3661.7	10.6	3742.4	10.2
	1985	I	3853.8	9.5					3823.8	9.0
		II	3939.9	9.2						
	1983	Annual	3288.0	7.5	3305.6	8.1	3256.2	6.4	3295.1	7.7
	1984	Annual	3632.7	10.5	3646.4	10.3	3534.8	8.6	3611.9	9.6
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1983**	**I**	**$1488.5**	**3.1%**			**$1488.5**	**3.1%**	**$1488.5**	**3.1%**
Forecast	1983	II	1504.6	4.5	$1510.5	3.8%	1504.5	4.4	1505.5	4.6
		III	1528.0	6.3	1530.6	5.4	1519.0	3.9	1529.7	6.6
		IV	1548.2	5.4	1548.1	4.7	1532.0	3.5	1541.7	3.2
	1984	I	1569.4	5.6	1562.2	3.7	1549.0	4.5	1557.2	4.1
		II	1590.2	5.4	1577.2	3.9	1569.0	5.3	1572.9	4.1
		III	1609.4	4.9	1596.3	4.9	1587.0	4.7	1591.4	4.8
		IV	1625.9	4.2	1614.6	4.7	1606.0	4.9	1607.7	4.2
	1985	I	1641.6	3.9					1620.7	3.3
		II	1656.7	3.7						
	1983	Annual	1517.4	2.7	1521.4	3.0	1511.0	2.3	1516.3	2.7
	1984	Annual	1598.7	5.4	1587.6	4.3	1577.8	4.4	1582.3	4.3
Gross National Product Deflator Index, 1972 = 100										
Actual	**1983**	**I**	**213.4**	**5.8%**			**213.4**	**5.8%**	**213.4**	**5.8%**
Forecast	1983	II	215.6	4.2	215.9	6.1%	214.5	2.1	216.2	5.4
		III	217.5	3.6	218.6	5.2	216.0	2.8	218.4	4.0
		IV	220.0	4.7	221.6	5.6	218.0	3.8	221.1	5.0
	1984	I	222.8	5.2	224.6	5.4	220.0	3.7	223.9	5.3
		II	225.6	5.1	228.0	6.3	223.0	5.6	226.7	5.0
		III	228.5	5.2	231.3	5.9	225.0	3.6	229.5	5.1
		IV	231.7	5.6	234.6	5.8	228.0	5.4	232.8	5.8
	1985	I	234.8	5.4					235.9	5.5
		II	237.8	5.3						
	1983	Annual	216.7	4.6	217.2	4.9	215.5	4.0	217.3	4.9
	1984	Annual	227.2	4.9	229.6	5.7	224.0	4.0	228.2	5.0
Unemployment Rate										
Actual	**1983**	**I**	**10.4%**		**10.4%**		**10.4%**		**10.4%**	
Forecast	1983	II	10.2		10.3		10.3		10.4	
		III	9.8		10.1		10.0		10.2	
		IV	9.5		9.8		9.7		10.1	
	1984	I	9.2		9.6		9.4		9.9	
		II	9.0		9.4		9.1		9.8	
		III	8.7		9.1		8.8		9.6	
		IV	8.5		8.8		8.5		9.4	
	1985	I	8.4						9.3	
		II	8.2							
	1983	Annual	10.0		10.1		10.1		10.3	
	1984	Annual	8.9		9.2		9.0		9.7	

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (second revision) fourth quarter data.

[2] Based on preliminary first quarter data.

ECONOMIC FORECASTS (continued)

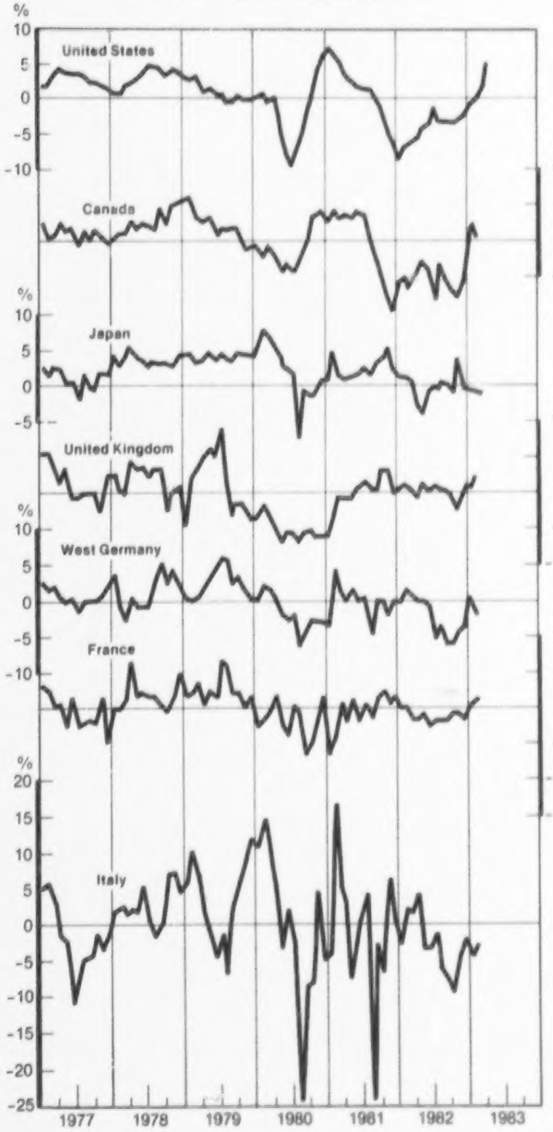
The Conference Board[1]		Chase Econometric Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Apr., 1983		*Apr., 1983*		*Apr., 1983*		*Apr., 1983*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3176.7	9.1%	$3176.7	9.1%	$3176.7	9.1%	$3176.7	9.1%	I	1983	Actual
3264.0	11.5	3237.3	7.9	3239.1	8.1	3247.5	9.2	II	1983	Forecast
3341.0	9.8	3323.3	11.1	3310.3	9.1	3329.2	10.4	III		
3411.0	8.6	3405.7	10.3	3389.0	9.9	3420.7	11.5	IV		
3477.0	8.0	3488.3	10.1	3473.0	10.3	3509.0	10.7	I	1984	
3573.0	11.5	3571.8	9.9	3557.0	10.0	3590.3	9.6	II		
3655.0	9.5	3660.8	10.3	3640.1	9.7	3674.3	9.7	III		
3742.0	9.9	3752.0	10.3	3723.5	9.5	3774.3	11.3	IV		
		3842.0	9.9	3804.7	9.0	3863.7	9.8	I	1985	
		3934.9	10.0	3886.1	8.8	3954.5	9.7	II		
3298.2	7.8	3285.8	7.4	3278.8	7.2	3293.5	7.7	Annual	1983	
3611.8	9.5	3618.2	10.1	3598.4	9.7	3637.0	10.4	Annual	1984	
								Gross National Product Billions of Constant (1972) Dollars		
$1488.5	3.1%	$1488.5	3.1%	$1488.5	3.1%	$1488.5	3.1%	I	1983	Actual
1513.4	6.9	1503.7	4.1	1502.1	3.7	1508.1	5.4	II	1983	Forecast
1529.9	4.4	1524.7	5.7	1522.1	5.4	1531.1	6.2	III		
1541.9	3.2	1541.7	4.5	1540.7	5.0	1554.1	6.1	IV		
1553.5	3.0	1557.8	4.2	1559.9	5.1	1575.3	5.6	I	1984	
1577.0	6.2	1574.7	4.4	1578.9	5.0	1591.3	4.1	II		
1592.6	4.0	1592.1	4.5	1596.5	4.5	1607.3	4.1	III		
1609.1	4.3	1607.8	4.0	1612.0	3.9	1627.7	5.2	IV		
		1623.5	4.0	1626.8	3.7	1643.7	4.0	I	1985	
		1640.3	4.2	1641.2	3.6	1660.2	4.1	II		
1518.4	2.8	1514.7	2.6	1513.3	2.5	1520.5	3.0	Annual	1983	
1583.1	4.3	1583.1	4.5	1586.8	4.9	1600.4	5.3	Annual	1984	
								Gross National Product Deflator Index, 1972 = 100		
213.4	5.8%	213.4	5.8%	213.4	5.8%	213.4	5.8%	I	1983	Actual
215.7	4.3	215.3	3.6	215.6	4.2	215.3	3.6	II	1983	Forecast
218.4	5.1	218.0	5.1	217.5	3.5	217.4	4.0	III		
221.2	5.3	220.9	5.5	220.0	4.6	220.1	5.0	IV		
223.8	4.8	223.9	5.6	222.6	5.0	222.8	4.9	I	1984	
226.6	5.0	226.8	5.3	225.3	4.8	225.6	5.3	II		
229.5	5.3	229.9	5.6	228.0	4.9	228.6	5.4	III		
232.6	5.4	233.4	6.1	231.0	5.3	231.9	5.9	IV		
		236.6	5.8	233.9	5.1	235.1	5.6	I	1985	
		239.9	5.6	236.8	5.1	238.2	5.4	II		
217.2	4.8	216.9	4.7	216.6	4.6	216.6	4.6	Annual	1983	
228.1	5.0	228.5	5.4	226.7	4.7	227.2	4.9	Annual	1984	
								Unemployment Rate		
10.4%		10.4%		10.4%		10.4%		I	1983	Actual
10.2		10.3		10.2		10.2		II	1983	Forecast
10.0		10.2		9.9		9.9		III		
9.9		10.1		9.7		9.6		IV		
9.9		9.9		9.5		9.3		I	1984	
9.5		9.7		9.2		9.1		II		
9.2		9.3		9.0		8.9		III		
9.0		8.9		8.8		8.6		IV		
		8.7		8.7		8.4		I	1985	
		8.4		8.6		8.0		II		
10.1		10.2		10.0		10.0		Annual	1983	
9.4		9.5		9.1		9.0		Annual	1984	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900

SELECTED INTERNATIONAL COMPARISONS

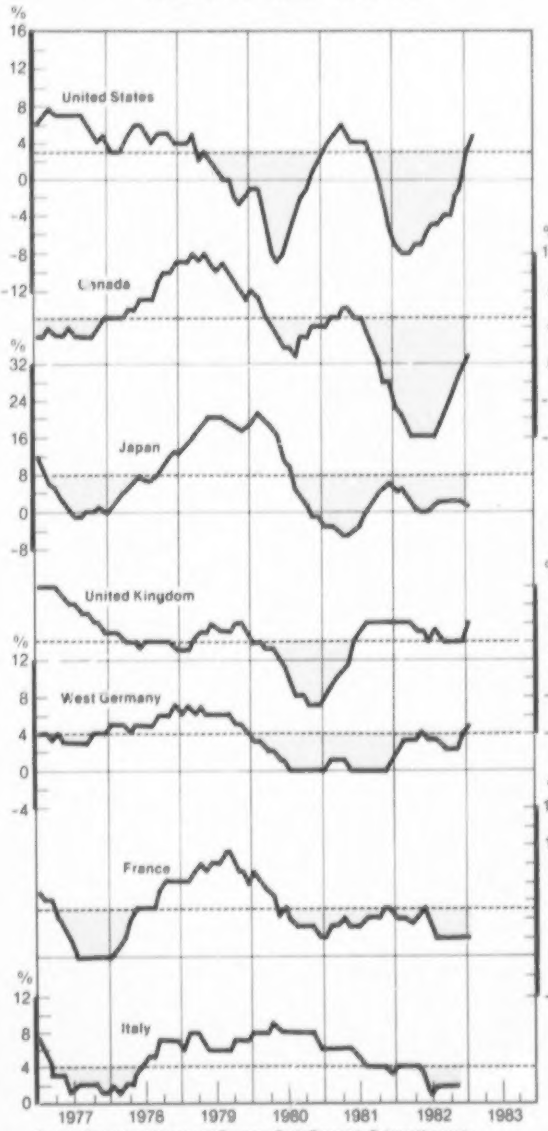
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



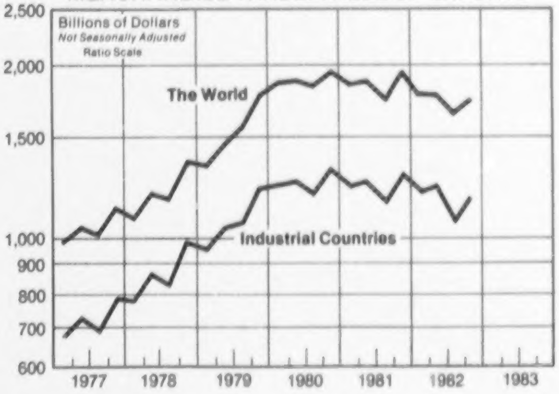
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM SAME MONTH, PREVIOUS YEAR

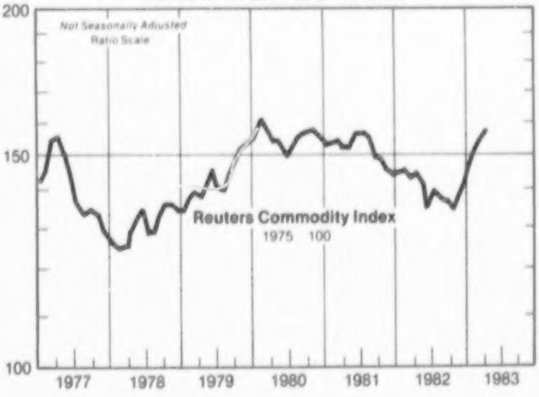


Source: Center for International Business Cycle Research, Rutgers University

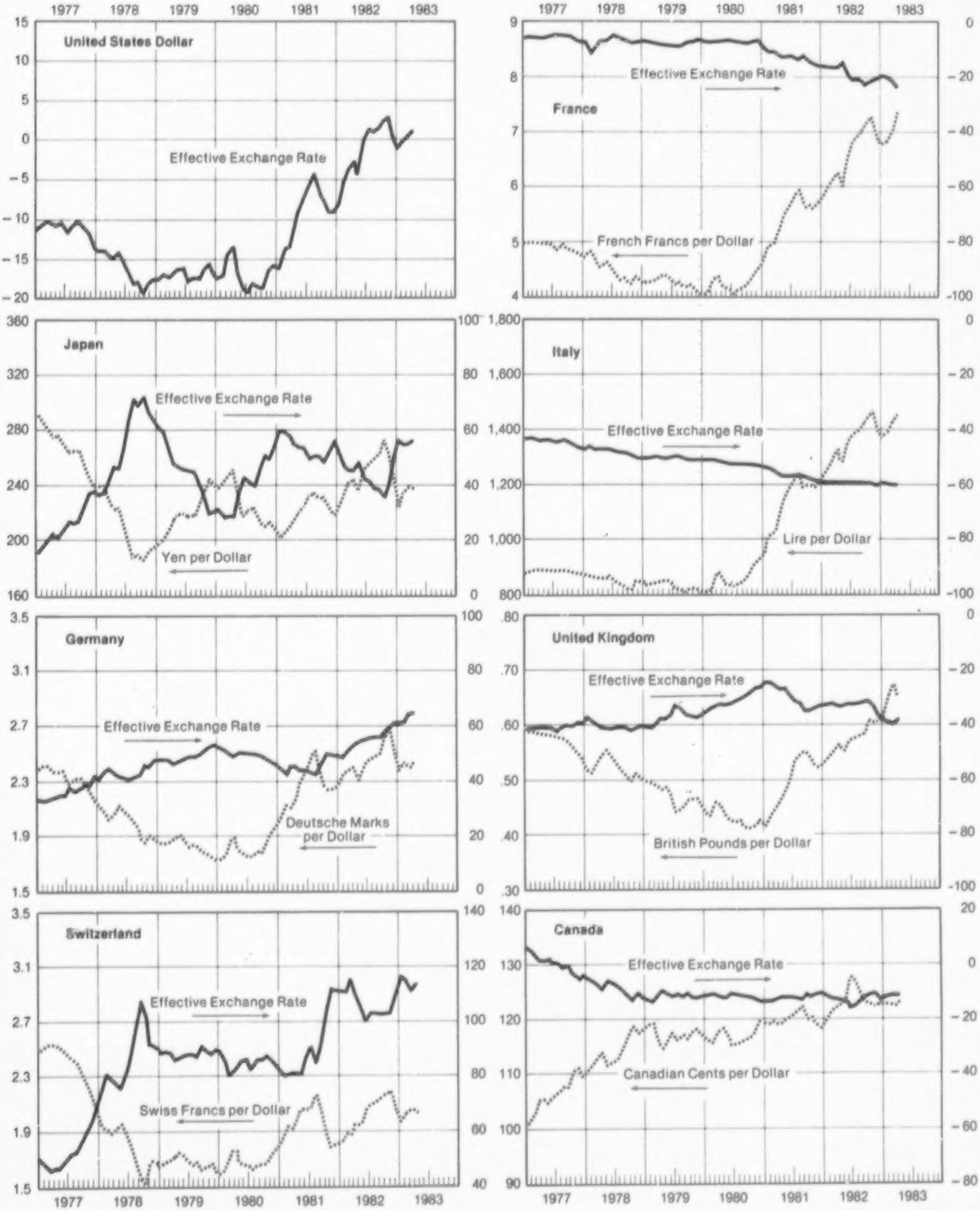
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



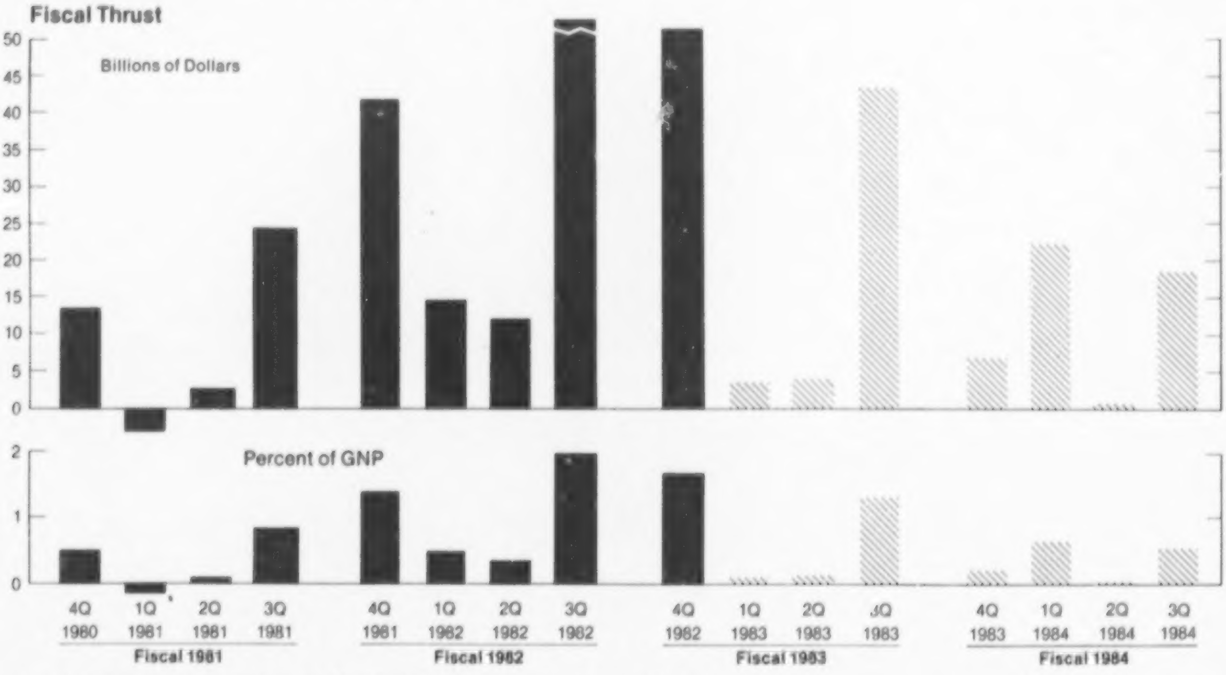
Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies, weighted according to the average bilateral manufactures trade of 1976. Changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

Source: Morgan Guaranty Trust

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

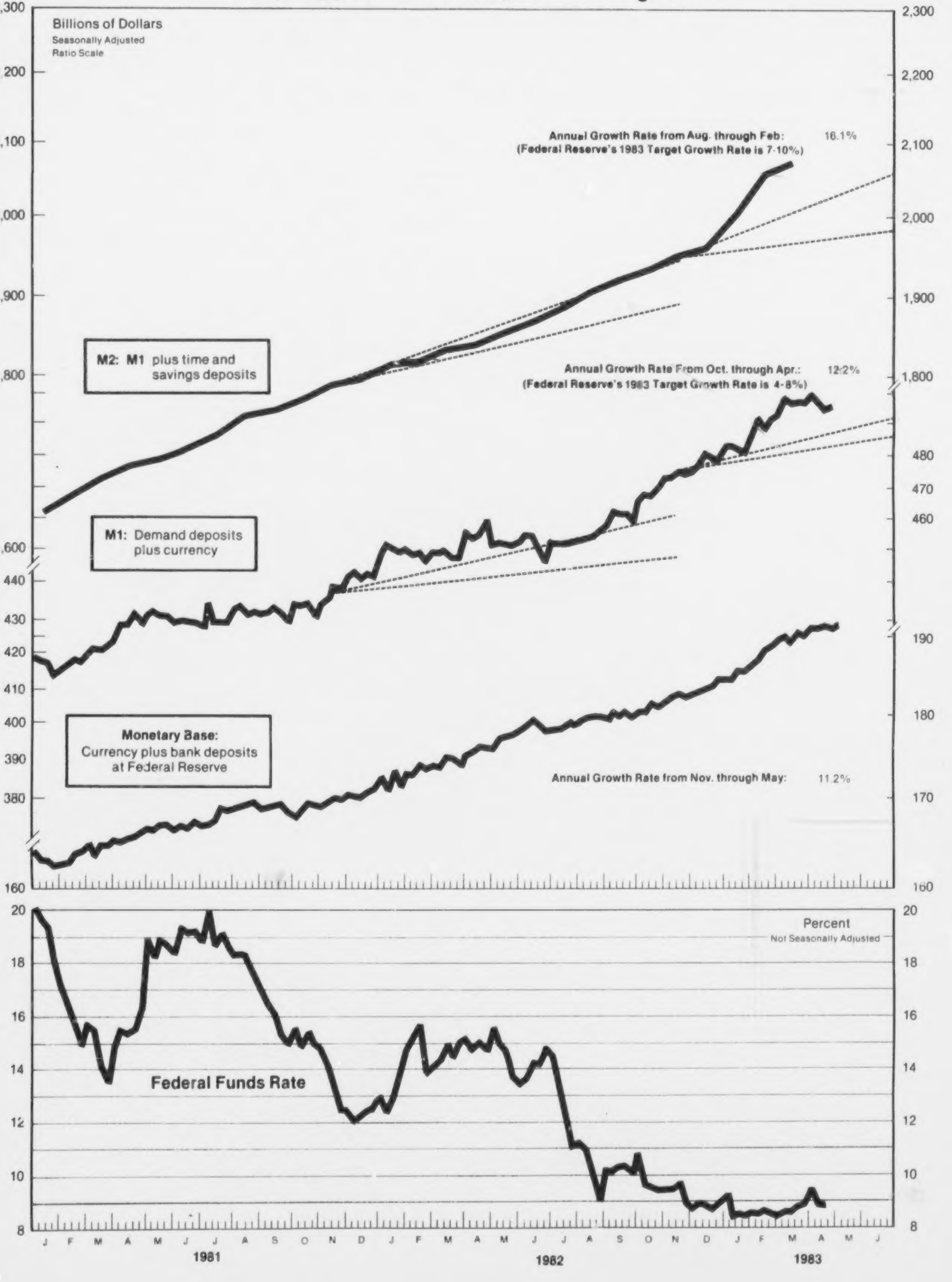
	Fiscal 1982	Fiscal 1983		Fiscal 1984		
	Actual	*President's Proposal*	*Congressional Estimate*	*Current Services*	*President's Proposal*	*Congressional Estimate*
	(10/26/82)	*(1/31/83)*	*(9/1/82)*	*(1/31/83)*	*(1/31/83)*	*(3/16/83)*
Receipts	**$617.8**	**$597.5**	**$633.0**	**$648.8**	**$659.7**	**$669.1**
Outlays	**728.4**	**805.2**	**788.0**	**880.3**	**848.5**	**863.6**
Deficit	**—110.6**	**—207.7**	**—155.0**	**—231.5**	**—188.8**	**—174.5**
Receipts by source	**617.8**	**597.5**	**633.0**	**648.8**	**659.7**	**669.1**
Individual income taxes	298.1	285.2	298.0	295.8	295.6	
Corporate income taxes	49.2	35.3	47.0	51.9	51.8	
Social insurance	201.1	210.3	217.0	231.7	242.9	242.3
Other receipts	69.4	66.7	71.0	69.4	69.4	
Outlays by function	**728.4**	**805.2**	**788.0**	**880.3**	**848.5**	**863.6**
Income security	248.8	282.5	270.0	289.7	282.4	284.7
National defense	187.4	214.8	216.0	253.7	245.3	235.4
Health	74.0	82.4	79.0	92.9	90.6	96.0
Veterans' benefits	24.0	24.4	24.0	26.1	25.7	25.6
Education and manpower	25.4	26.7	27.0	27.1	25.3	32.7
Transportation	20.6	21.9	20.0	26.1	25.1	26.2
International affairs	10.0	11.9	13.2	12.8	13.2	13.2
Agriculture	14.8	21.1	15.0	15.3	12.1	14.7
Natural resources and environment	13.1	12.1	11.0	11.2	9.8	12.5
General science	7.1	7.8	8.0	8.1	8.2	8.4
Community development	7.4	7.4	8.0	7.2	7.0	8.6
Revenue sharing	6.2	6.4	6.0	7.2	7.0	7.6
General government	4.8	5.8	5.0	5.9	6.0	6.1
Justice	4.6	5.3	5.0	5.5	5.5	5.5
Energy	4.8	4.5	5.0	4.1	3.3	4.3
Commerce and housing credit	3.8	1.9	2.0	2.1	0.4	2.3
Interest	100.8	88.9	115.0	105.2	103.2	96.2
Allowances	—	—	—3.0	1.9	0.9	1.3
Undistributed offsetting receipts	—29.3	—20.4	—36.0	—21.6	—22.8	—17.4

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets



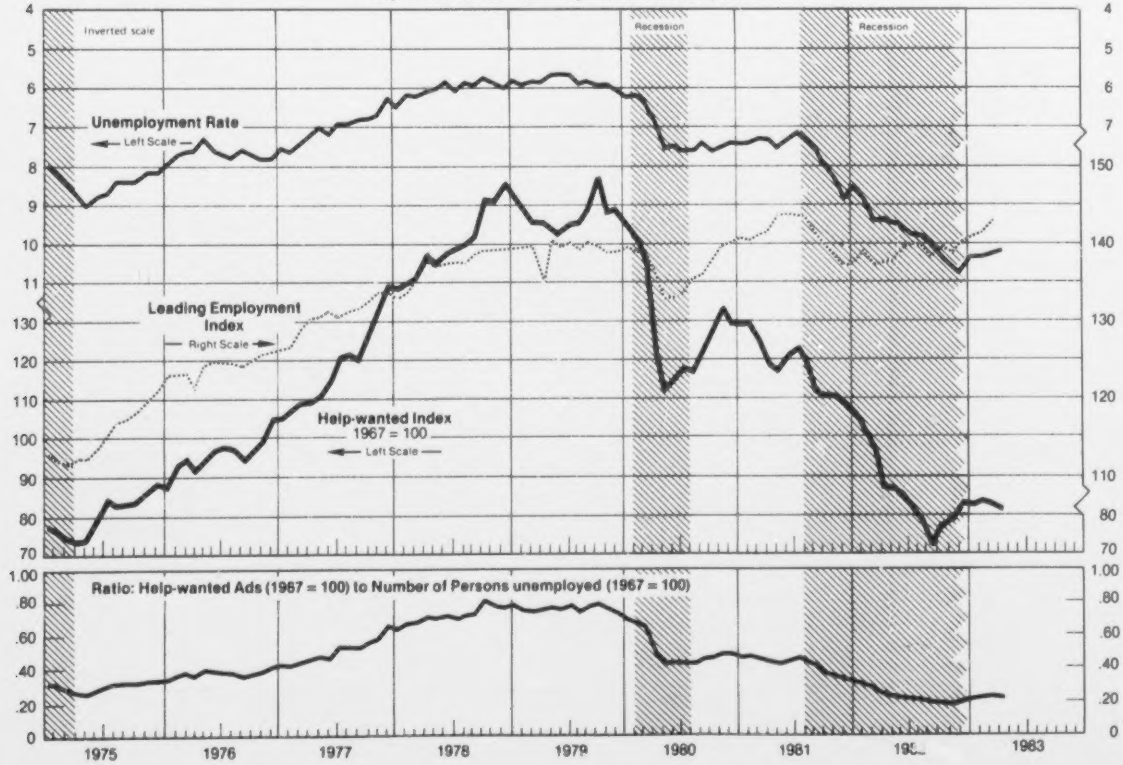
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1983			1982
	Mar.	**Feb.**	**Jan.**	**Mar.**
Total Index				
51 papers	83	83	83	96
New England	89	85	84	89
Boston	103	95	92	99
Hartford	81	87	88	91
Providence	51	51	52	51
Middle Atlantic	43	44	43	51
Albany	78	78	78	82
Allentown	87	97	112	86
New York	39	38	37	47
Philadelphia	37	36	39	43
Pittsburgh	45	46	48	61
Rochester	45	48	48	61
Syracuse	58	93	62	69
East North Central	44	46	44	51
Chicago	42	42	39	48
Cincinnati	67	70	66	64
Cleveland	35	35	36	44
Columbus	72	75	75	78
Dayton	45	45	45	47
Detroit	35	35	36	37
Gary	85	92	90	150
Indianapolis	40	54	46	48
Milwaukee	33	32	33	41
Toledo	62	64	65	62
West North Central	46	46	47	49
Kansas City	64	66	65	68
Minneapolis	34	35	35	39
Omaha	83	76	85	83
St. Louis	37	38	37	40
South Atlantic	98	94	96	97
Atlanta	148	154	147	146
Baltimore	65	60	73	76
Charlotte	85	79	82	89
Jacksonville	142	129	128	122
Miami	72	66	64	85
Richmond	62	61	59	55
Washington, D.C.	102	96	99	93
East South Central	86	89	86	96
Birmingham	90	89	90	103
Knoxville	139	144	125	205
Louisville	50	52	47	48
Memphis	73	74	74	76
Nashville	110	119	122	107
West South Central	188	195	205	266
Dallas	224	238	251	236
Houston	250	263	274	400
New Orleans	105	110	116	151
Oklahoma City	122	116	123	232
San Antonio	145	138	138	171
Tulsa	105	102	120	189
Mountain	167	169	163	191
Denver	134	138	133	165
Phoenix	212	206	191	214
Salt Lake City	166	175	183	210
Pacific	125	122	120	142
Los Angeles	100	97	95	125
Sacramento	201	203	218	207
San Bernardino	101	101	101	112
San Diego	243	235	236	249
San Francisco	120	117	113	137
Seattle	146	145	139	138
Percentage of papers with rising volume	39%	39%	51%	16%
Unemployment rate	10.3%	10.4%	10.4%	9.0%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1981	70.0	63.5	71.8	75.0	79.9	79.6	78.6	78.6	70.4	67.4	61.6	59.4
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1r	77.3p								

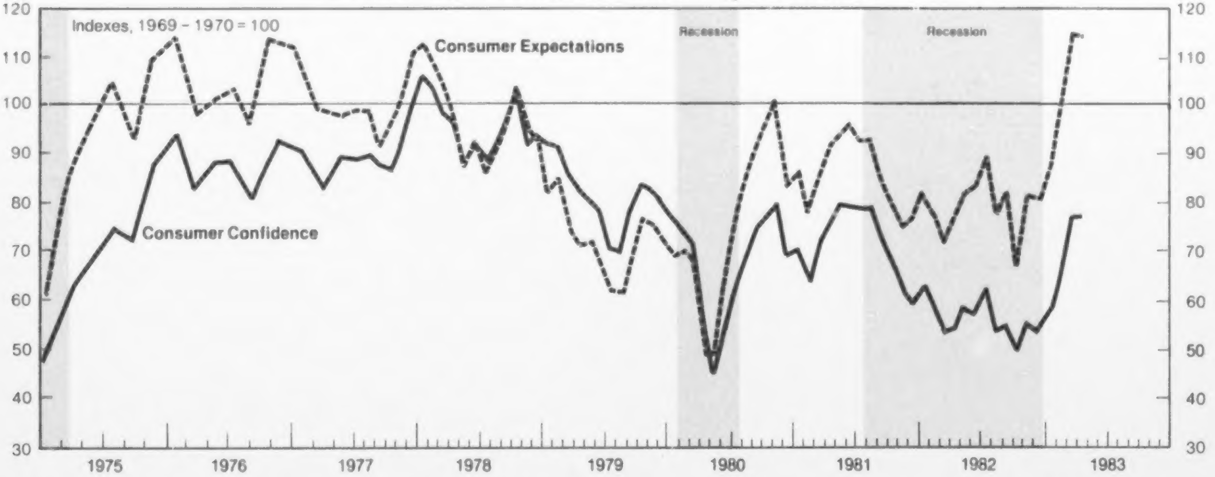
Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1981	87.5	90.5	98.0	85.9	84.8	89.5	78.7	96.7	90.3	86.2	89.8	99.2
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9r	77.2p								

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



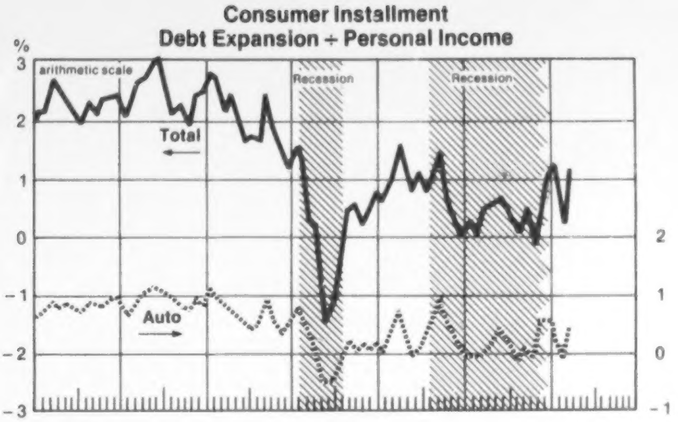
CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

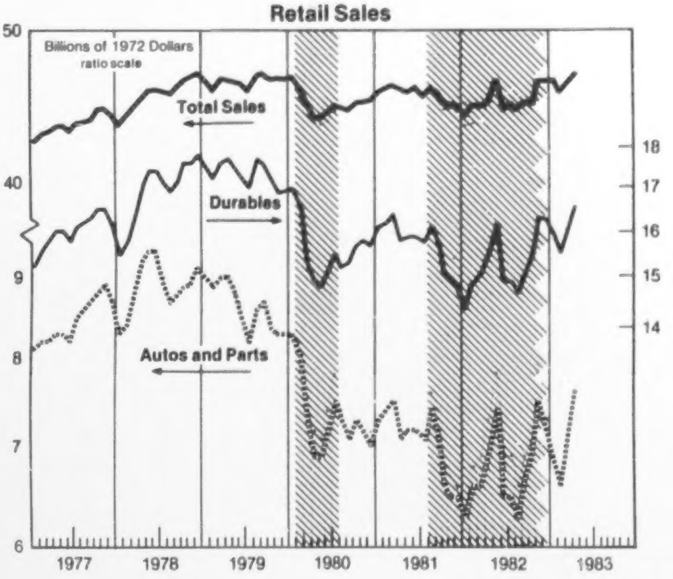
		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin.*

P—Preliminary R—Revised



Consumer Installment Debt Expansion ÷ Personal Income



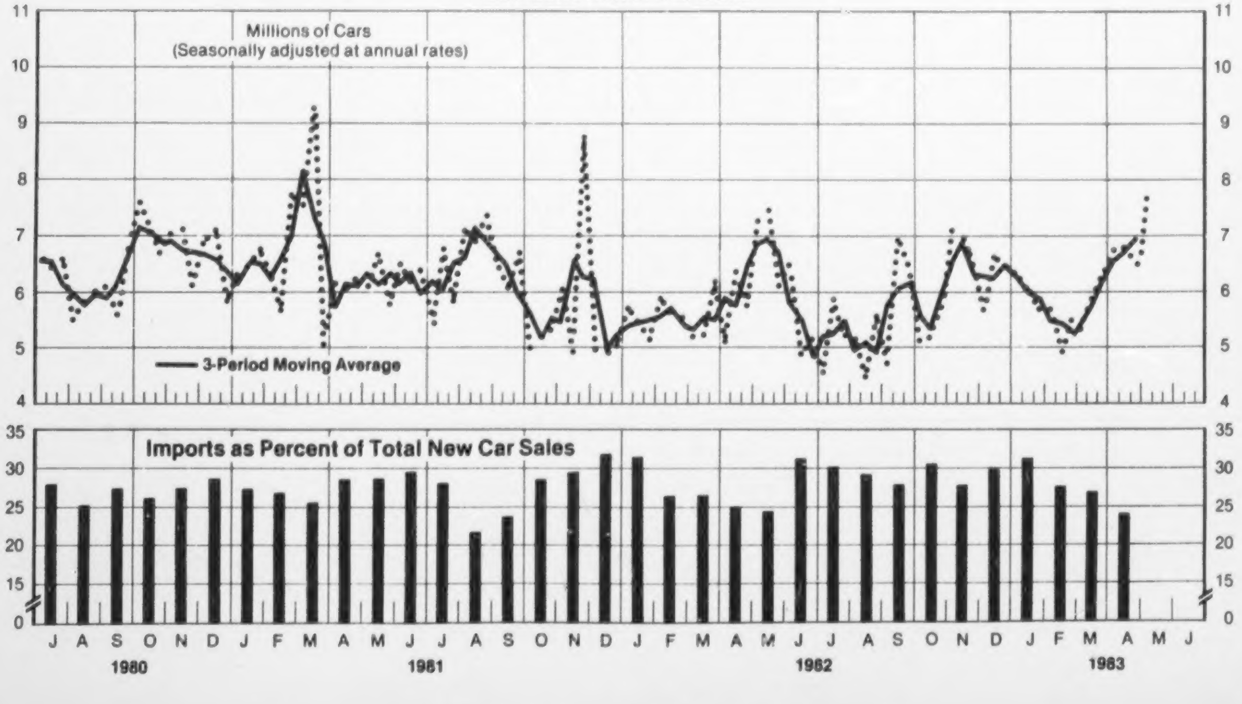
Retail Sales

CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1980	1981	1982	1983
January:	1-10	7.87	6.27	5.68	6.34
	11-20	7.08	6.44	5.43	6.08
	21-31	9.17	6.74	5.17	5.69
February:	1-10	6.88	6.30	5.88	5.68
	11-20	8.28	5.65	5.61	4.93
	21-28(29)	6.36	7.70	5.54	5.55
March:	1-10	6.98	7.55	5.18	5.32
	11-20	7.18	9.29	5.24	5.62
	21-31	6.12	5.02	6.16	6.22
April:	1-10	7.02	6.18	5.11	6.76
	11-20	5.94	6.01	6.38	6.77
	21-30	5.90	6.22	5.77	6.52
May:	1-10	5.78	6.09	7.26	7.68
	11-20	6.10	6.64	7.47	
	21-31	5.17	5.76	6.06	
June:	1-10	5.95	6.50	6.51	
	11-20	6.78	6.18	4.83	
	21-30	6.74	6.35	5.17	
July:	1-10	6.60	5.46	4.54	
	11-20	6.41	6.78	5.88	
	21-31	6.59	5.80	5.22	
August:	1-10	5.44	7.08	5.18	
	11-20	5.81	6.91	4.48	
	21-31	6.00	7.38	5.58	
September:	1-10	6.05	6.57	4.70	
	11-20	5.58	6.09	6.95	
	21-30	6.74	6.67	6.49	
October:	1-10	7.60	4.98	5.09	
	11-20	7.09	5.18	5.16	
	21-31	6.49	5.32	5.68	
November:	1-10	7.03	6.05	7.10	
	11-20	7.10	4.93	6.94	
	21-30	6.11	8.75	6.49	
December:	1-10	6.88	4.98	5.64	
	11-20	7.08	4.88	6.62	
	21-31	5.81	5.03	6.46	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.



Domestic-Model Car Sales

7/29/83

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STATISTICAL BULLETIN

Volume 16, No. 6, June, 1983

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The Conference Board

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COMMENT

All the latest signs point to a surge in the recovery in the second quarter. Moreover, the *Economic Forecasts* have been revised to reflect almost as brisk a pace of activity in the third quarter. This spirited economic performance is being turned in despite high Federal Government deficits and the persistence of high interest rates. In fact, those interest rates may have come down as far as they are likely to for the time being. Rates moved up a little in early June and could continue to inch up in the second half of the year. That will limit the recovery but not cut it short. The recovery will be sustained at least through the forecast horizon (second quarter of 1985).

Increased confidence in the recovery and gains in spending power are fueling a surge in consumer demand that is the driving force in the economy. The Conference Board's *Consumer Confidence Index,* which began to turn around last November, reached 82.7 (1969-1970 = 100) in May—higher than any level recorded since the 1981-1982 recession got under way. The overall rise in consumer attitudes reflects a tremendous upgrading of near-term expectations about jobs, incomes and general business conditions. The *Expectations Index* stood at 121.3 in May, its highest reading in more than a decade.

The increase in personal income, adjusted for inflation, has been less spectacular than the gain in consumer attitudes. Real personal income was only one-half percent higher in April than last January. However, greater willingness and ability to spend have been joined by an increase in buying on credit. As a result, retail sales, adjusted for inflation, were 4.4% higher in May than last January. Further, the increase in sales of cyclically sensitive durable goods was higher in the early months of this year than the rise in sales of nondurable items. That trend is very likely to continue in the second half of this year and on into 1984.

Higher consumer demand has certainly benefited new, domestic *Automobile Sales.* Up until the last few months, sales of new domestic cars were depressed by weak demand and very successful foreign competition. As a result, domestic models were selling at an average annual rate of not much more than 6 million cars, seasonally adjusted, as late as March. And foreign models were taking about 30% of the total market. The surge in consumer demand has helped to turn the situation around. Domestic models were selling at an average annual rate of about 7.4 million in May and the foreign share of the market dropped to around 25 percent. The break-even point on costs for domestic producers is generally put at a little over 6 million units per year. Therefore, the surge in total demand and gain in market share mean a healthy return to profitable production. The selling rate of domestic models can be expected to continue to rise by perhaps another million units before the year is out if car loan rates do not rise too precipitously.

Given the high degree of slack in all sectors of the economy, the level of capital investment at the moment remains modest. The Conference Board's *Capital Appropriations and Expenditures* survey indicates that investment by the nation's 1,000 largest manufacturers was flat in the first quarter of 1983. Further, the manufacturers' expectations for both appropriations and spending in 1983, which had been revised downward in the previous quarterly survey, were revised down again in the latest survey. The current outlook is for appropriations to rise only 6% this year and capital spending to decline by 5 percent. The modest expectations for appropriations this year imply that investment next year will continue to be relatively weak. Thus, 1984 shapes up as the fourth consecutive year of soft plant and equipment demand.

As is fairly typical of early recovery periods, business is concentrating more on improving balance sheets than on upading production facilities. Efforts to rein in the cost of doing business have been under way for some time. For most firms, the lion's share of total cost is labor cost. Before the back-to-back recessions set in, worker compensation per hour in the nonfinancial corporate sector was rising at about a 10% annual rate. By the third quarter of 1982, that figure had slowed to 5.9%; and it remained at 5.2% in the fourth quarter and 5.4% in the first quarter of 1983. The slower rise in hourly compensation and some cyclical gain in labor productivity have slowed the advance in unit labor cost, and that has allowed for both a slower pace of price increases and some recovery in profit margins. As indicated on the *Key Determinants of Profit Margins* chart, the profitability of the nonfinancial corporate sector has recovered to about the levels of early 1980—or before the back-to-back recessions began.

With consumer demand moving forward, and some attempt to restock inventory, production schedules have been stepped up. The average workweek in manufacturing industries continues to lengthen, operating rates are rising, and industrial production is regaining lost ground. And the composite index of *Leading Economic Indicators* is still rising sharply, suggesting that no setback appears likely to develop in the next several

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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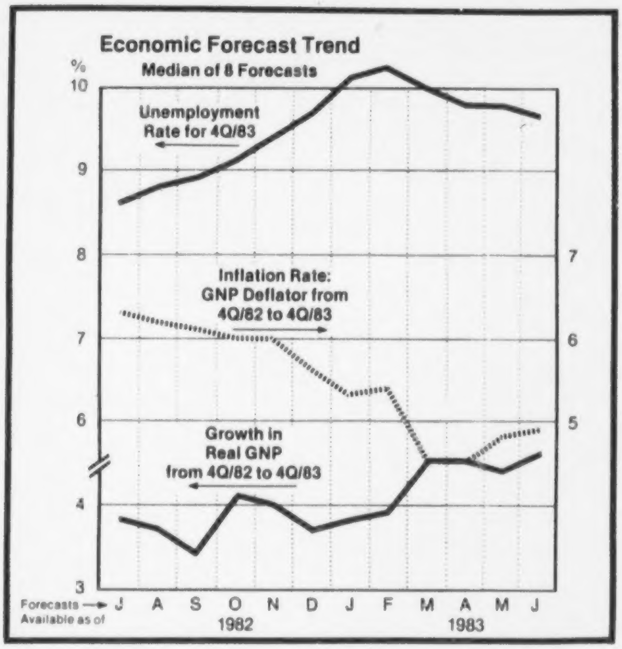
845 Third Avenue
New York, New York 10022

The Conference Board, Inc.
Avenue Louise, 207 Bte 5
B-1050 Brussels, Belgium



months in this rising production trend. The *Economic Forecasts* point to a very strong gain in output in the second quarter. The median of the forecasts shows that real GNP rose by a seasonally adjusted 6.4% annual rate. The Conference Board forecast shows an increase of 7.8% and carries the note that even that figure might prove to be too low. These expectations are clearly more optimistic than the forecasts made only a few months ago. In fact, before this latest run, all the models have been suggesting that this recovery would not match the pace of earlier recovery periods. The operative suggestion now seems to be that the pace of earlier recovery periods will be matched for only a quarter or two, as an expected hike in interest rates will prevent the recovery from continuing at the typically rapid pace for an extended period of time.

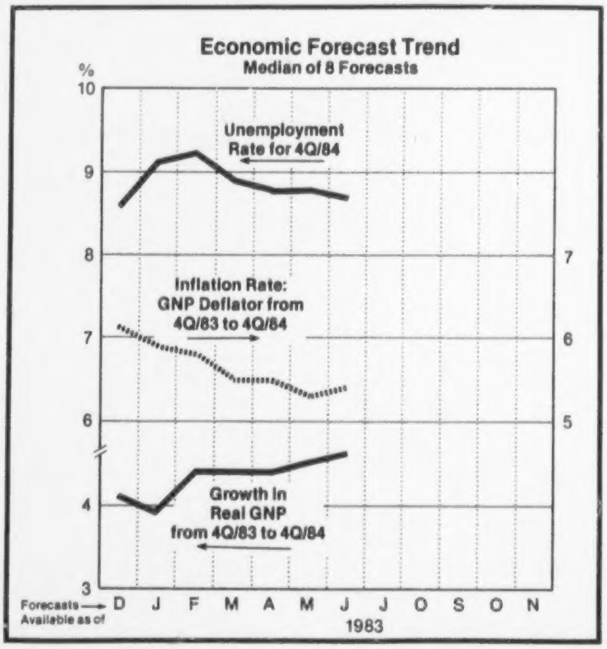
As mentioned earlier, sales are up and, hence, more revenue is flowing into corporate accounts. And costs are rising more slowly, allowing a healthier return on unit sales. The improvement in profitability means more internal funds are on hand, and the need for external financing is thereby lessened. But, given the high degree of slack in the system, business investment is not expected to rebound quickly. The credit demand of business, then, is not expanding at the moment.

The credit demand of the Federal Government, however, is strong. As indicated on the *Perspective on the Federal Budget* table, the deficit for this fiscal year is anticipated to be in a range of $150 to $200 billion. The Treasury has been active in the credit markets. But given the state of private credit demand, crowding out is not an immediate problem.

What concerns financial markets is that the prospect of quickly reducing the deficit is low while the likelihood of higher private credit demand is not low. Increased competition for funds is very likely to drive up the cost of those funds. That prospect, together with some concern that high money growth (see the *Money Supply and Monetary Targets* chart) will inevitably lead to some higher inflation, rules out any further drop in short-term interest rates for now. In fact, if money growth does not slow, those nervous jitters could worsen. On the other hand, to slow the rate of credit expansion might increase the competition for scarcer funds. Thus, the paradox that interest rates might rise because money growth is too fast or because money growth is too slow. The anticipation is that short-term rates are likely to go up in the second half of the year—perhaps by one-half percentage point. And that hike is likely to constrict the rate of economic recovery. The median of the *Economic Forecasts* is for real output to grow by 5.7% in the third quarter of 1983, but then to slow down to 4.1% in the fourth quarter. The median then stays at about 4½% throughout 1984, and dips to about 3½% in the first half of 1983.

The rapid pace of recovery in the second quarter allowed for some significant improvement in reducing the jobless rolls. The national unemployment rate dipped to 10.1% in May. Even so, the *Economic Forecasts* indicate that the rate may average as high as 9.9% in the third quarter. The Conference Board's *Help-wanted Index* remained unchanged at 83 (1967 = 100) from December through March, and then fell to 81 in April. However, early indications are that it may have advanced by five or six points in May. That suggests that hiring efforts are improving rather sporadically. Better labor market conditions are important now since they will reinforce improvement in consumer attitudes, a key factor in the consumer-sustained recovery.

Ken Goldstein
June 14, 1983

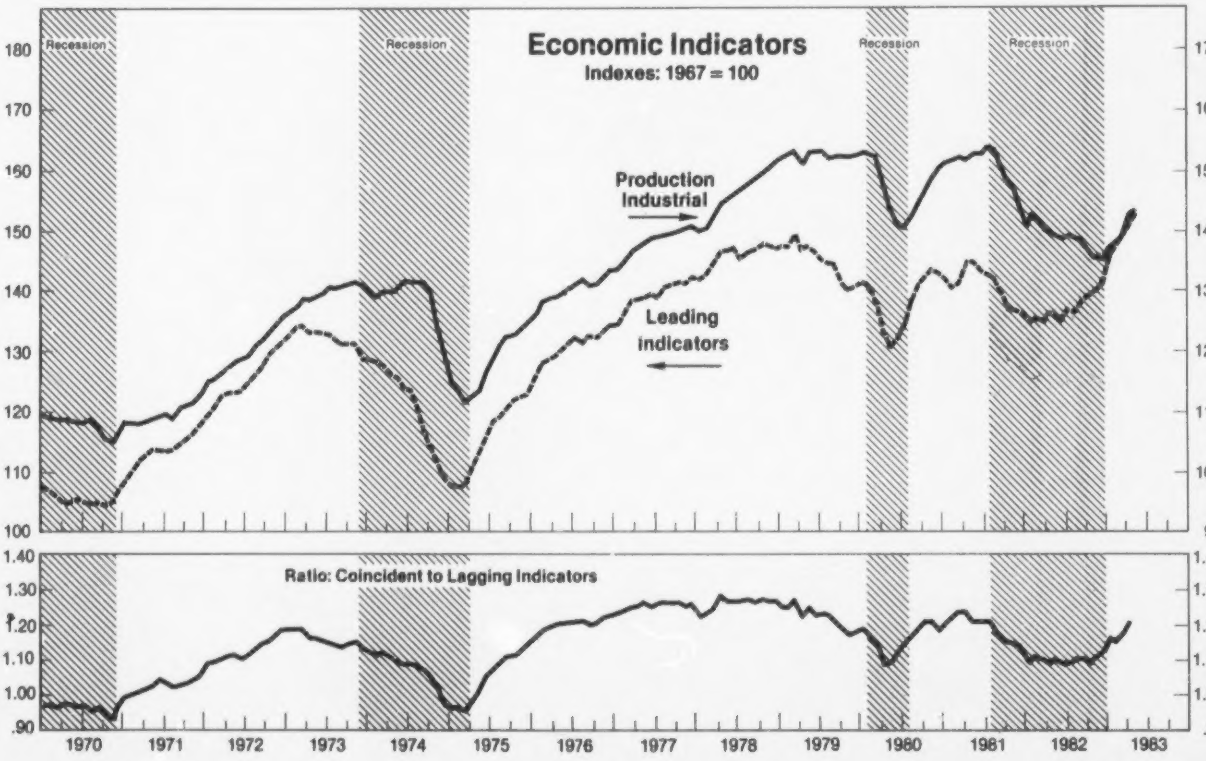


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Apr.	X			+ 4.9%	+ 12.1%
Capital Investment Commitments						
*Contracts & orders, plant & equipment (deflated)	Apr.	X			+ 14.2%	— 4.4%
New orders, nondefense capital goods (deflated)	Apr.	X			+ 11.7%	— 5.3%
*Net business formation	Apr.		X		+ 0.3%	— 3.0%
*Housing permits	Apr.	X			+ 6.2%	+ 74.5%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Apr.	X			+ 1.2%	+ 9.0%
*Change in inventory, on hand & order (deflated)	Apr.	X			+ 29.4%	+ 30.1%
Purchasing agents' buying policy	May		X		+ 1 %	+ 3 %
*Vendor performance, reported slower deliveries	Apr.	X			+ 11 %	+ 21 %
Industrial raw materials prices	May	X			+ 4.2%	+ 2.3%
*Change in sensitive prices	Apr.	X			+ 2.2%	+ 2.8%
Sensitive Financial Flows						
*Money balance (M1 deflated)	Apr.	X			+ 2.7%	+ 8.6%
Change in business loans	Apr.			X	— 0.4%	—96.3%
*Change in credit outstanding	Apr.			X	— 5.6%	— 6.4%
Change in consumer installment debt	Mar.		X		+ 2.0%	+ 28.4%
Profitability						
Total corporate profits, after tax (deflated)	1st Q			X	— 4.5%	— 4.8%
*Common stock prices	May	X			+ 12.0%	+ 41.3%
Marginal Employment Adjustments						
*Average workweek, mfg.	May	X			0.9hr.	0.8hr.
*Initial unemployment claims (inverted)	Apr.	X			+ 7.3%	+ 17.0%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) 1977, p. 15.

*These twelve series make up the Composite Leading Index charted below.



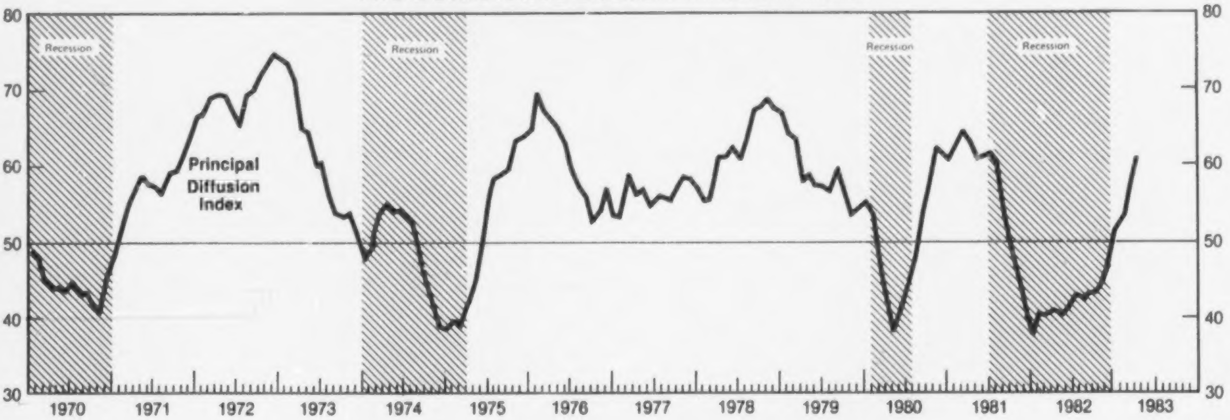
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1982 Apr.	1983 Jan.	1983 Feb.	1983 Mar.	1983 Apr.(e)
Principal Diffusion Index	41.0	51.7r	53.7r	57.2r	61.1
Auxiliary Diffusion Index	51.8	66.0r	56.5r	61.6r	62.7
Industrial Group	30.6	45.0	47.2	54.0	60.1
Nonindustrial Group	51.4	56.3r	60.1r	60.4	62.7
Sense of Diffusion	0	0	0	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	39.7	37.2	46.6	55.6	63.7
Labor	19.9	41.5	44.1	49.6	54.2
Miscellaneous	43.6	65.4	55.8	62.8	69.2
Nonindustrial Subgroups					
Prices	37.8	51.3	59.6	67.3	73.7
Consumer	65.0	74.8	68.8	73.5r	72.6
Building	36.5	49.4	49.4r	42.3	35.9
Miscellaneous	56.8	52.6r	59.0r	54.7r	61.5

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1980 May	1980 Aug.	1980 Nov.	1981 Feb.	1981 May	1981 Aug.	1981 Nov.	1982 Feb.	1982 May	1982 Aug.	1982 Nov.
					Score (scale 0-100)						
Measure of Business Confidence	29	49	63	58	61	57	43	47	52	55	60
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	16	28	59	50	57	48	26	23	30	38	44
2. Expectations for Economy, Six Months Ahead	31	60	67	63	64	63	51	59	64	65	70
3. Expectations for Own Industry, Six Months Ahead	40	60	63	61	61	60	52	58	61	61	65

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1981		1982				1983	Percent Change From Previous Year		
								1981	1982	1983
	III	IV	I	II	III	IVr	Ip	Actual	Actual	Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	26.938	22.992	25.767	19.331	18.482	21.043	20.965	2	−18	6
Capital expenditures	26.217	26.174	26.924	25.734	23.926	22.643	19.736	15	− 3	− 5
Change in appropriations backlog*	+ 1.164	−4.602	−1.629	−8.289	−8.527	−3.903	−0.719			
Durable Goods										
New appropriations	11.549	9.532	8.446	7.308	7.543	8.211	7.968	−5	−24	4
Capital expenditures	11.079	10.965	11.161	10.663	9.629	8.817	8.086	4	− 7	−17
Change in appropriations backlog*	+ 0.964	−1.953	−2.994	−4.165	−4.267	−1.307	−0.854			
Nondurable Goods										
New appropriations	15.389	13.460	17.321	12.023	10.939	12.832	12.997	7	−14	6
Capital expenditures	15.138	15.209	15.763	15.071	14.297	13.826	11.650	24	0	3
Change in appropriations backlog*	+ 0.200	−2.649	+ 1.365	−4.124	−4.260	−2.596	+ 0.135			
ELECTRIC & GAS UTILITIES										
New appropriations	9.678	8.916	8.939	8.303	10.490	10.778	6.944			
Capital expenditures	8.491	8.424	8.919	8.804	8.925	9.353	8.977			
Change in appropriations backlog*	−8.338	−3.677	−8.995	−1.871	+ 0.713	−4.559	−5.618			

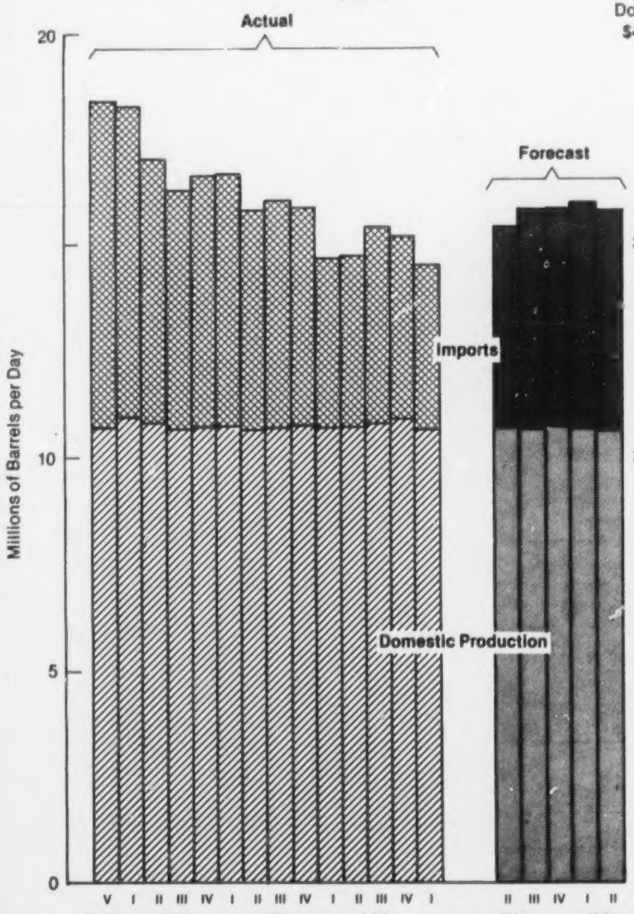
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

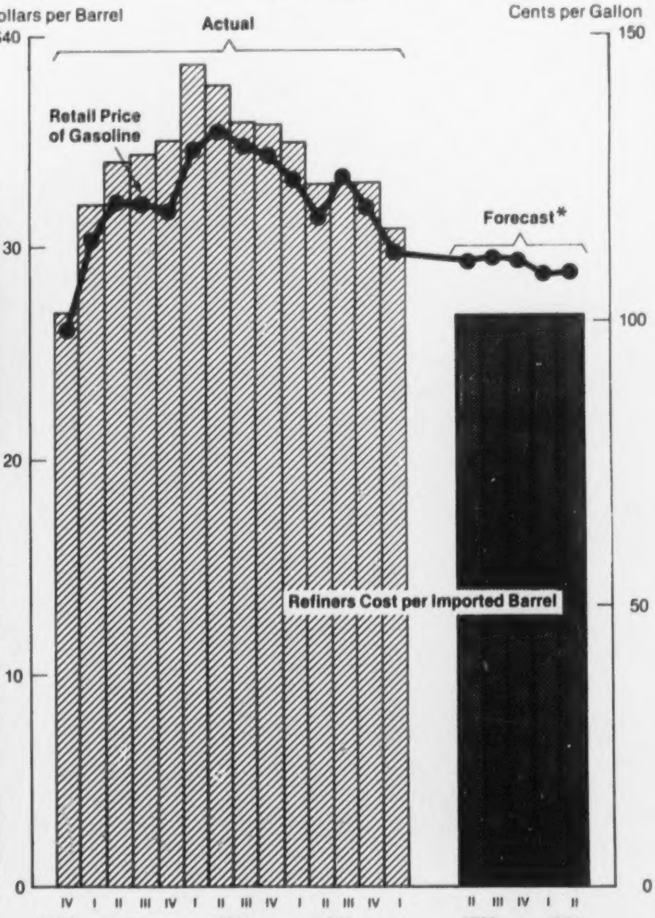
* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply

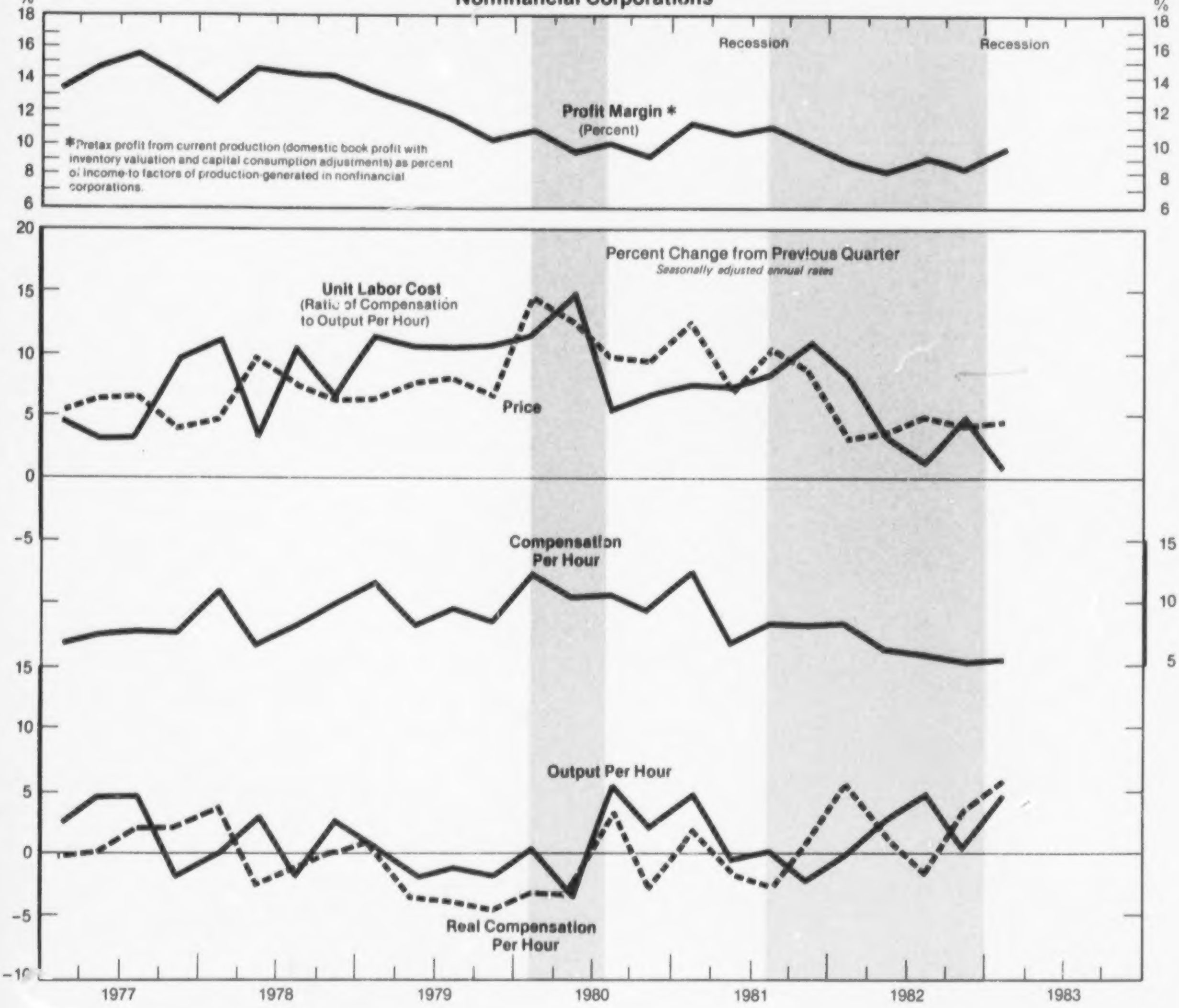


Oil Price



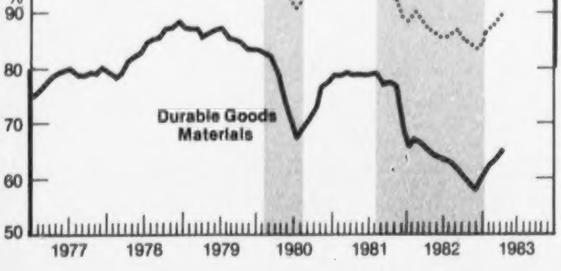
*Source: of Forecast is The Energy Information Administration; Department of Energy.

Key Determinants of Profit Margin, Nonfinancial Corporations

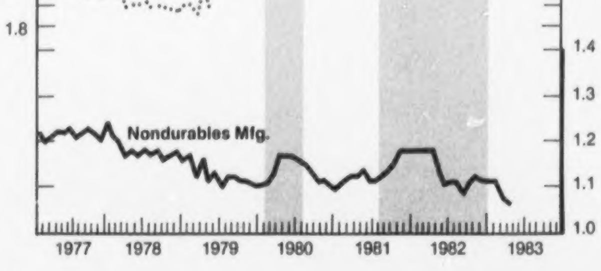


*Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income-to factors of production-generated in nonfinancial corporations.

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*May, 1983*		*May, 1983*		*May, 1983*		*May, 1983*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1983**	**I**	**$3170.9**	**8.3%**			**$3170.9**	**8.3%**	**$3170.9**	**8.3%**
Forecast		II	3255.5	11.1	$3261.3	11.1%	3221.8	6.6	3260.0	11.7
		III	3324.8	8.8	3345.7	10.8	3289.7	8.7	3346.0	11.0
		IV	3405.0	10.0	3427.5	10.1	3344.1	6.6	3418.9	9.0
	1984	I	3498.9	11.5	3502.0	9.0	3412.2	8.4	3494.0	9.1
		II	3593.8	11.3	3588.7	10.3	3503.3	11.1	3565.0	8.4
		III	3683.8	10.4	3685.1	11.2	3575.2	8.5	3658.2	10.9
		IV	3770.1	9.7	3781.5	10.9	3662.2	10.1	3758.4	11.4
	1985	I	3847.8	8.5					3854.8	10.7
		II	3940.6	10.0						
	1983	Annual	3289.0	7.5	3302.8	8.0	3256.6	6.5	3298.9	7.8
	1984	Annual	3636.7	10.6	3639.3	10.2	3538.2	8.6	3618.9	9.7
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1983**	**I**	**$1486.2**	**2.5%**			**$1486.2**	**2.5%**	**$1486.2**	**2.5%**
Forecast		II	1509.5	6.4	$1509.7	5.8%	1502.0	4.3	1510.1	6.6
		III	1527.8	4.9	1528.8	5.2	1523.0	5.7	1531.2	5.7
		IV	1546.3	4.9	1545.2	4.4	1534.0	2.9	1545.2	3.7
	1984	I	1568.5	5.9	1559.2	3.7	1551.0	4.5	1561.5	4.3
		II	1590.1	5.6	1575.5	4.2	1571.0	5.3	1574.3	3.3
		III	1607.6	4.5	1595.3	5.1	1589.0	4.7	1595.1	5.4
		IV	1620.3	3.2	1615.8	5.2	1608.0	4.9	1615.8	5.3
	1985	I	1629.7	2.3					1634.5	4.7
		II	1641.2	2.9						
	1983	Annual	1517.5	2.7	1518.0	2.8	1511.3	2.3	1518.2	2.8
	1984	Annual	1596.6	5.2	1586.5	4.5	1579.8	4.5	1586.7	4.5
Gross National Product Deflator Index, 1972 = 100										
Actual	**1983**	**I**	**213.4**	**5.7%**			**213.4**	**5.7%**	**213.4**	**5.7%**
Forecast		II	215.7	4.4	216.0	5.0%	214.5	2.2	215.9	4.8
		III	217.6	3.7	218.8	5.3	216.0	2.8	218.5	5.0
		IV	220.2	4.8	221.8	5.5	218.0	3.8	221.3	5.1
	1984	I	223.1	5.3	224.6	5.1	220.0	3.7	223.8	4.6
		II	226.0	5.4	227.8	5.8	223.0	5.6	226.4	4.9
		III	229.2	5.7	231.0	5.8	225.0	3.6	229.5	5.2
		IV	232.7	6.3	234.0	5.4	227.7	5.0	232.6	5.8
	1985	I	236.1	6.0					235.8	5.7
		II	240.1	6.9						
	1983	Annual	216.7	4.6	217.5	5.0	215.5	4.0	217.3	4.9
	1984	Annual	227.7	5.1	229.4	5.4	223.9	3.9	228.0	5.0
Unemployment Rate										
Actual	**1983**	**I**	**10.4%**		**10.4%**		**10.4%**		**10.4%**	
Forecast		II	10.1		10.2		10.1		10.1	
		III	10.0		10.1		9.9		9.8	
		IV	9.7		9.8		9.7		9.6	
	1984	I	9.4		9.6		9.4		9.5	
		II	9.1		9.3		9.1		9.4	
		III	8.9		9.1		8.8		9.1	
		IV	8.8		8.7		8.5		8.9	
	1985	I	8.8						8.7	
		II	8.8							
	1983	Annual	10.0		10.1		10.0		10.0	
	1984	Annual	9.1		9.2		9.0		9.2	

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (second revision) fourth quarter data.

[2] Based on preliminary first quarter data.

ECONOMIC FORECASTS (continued)

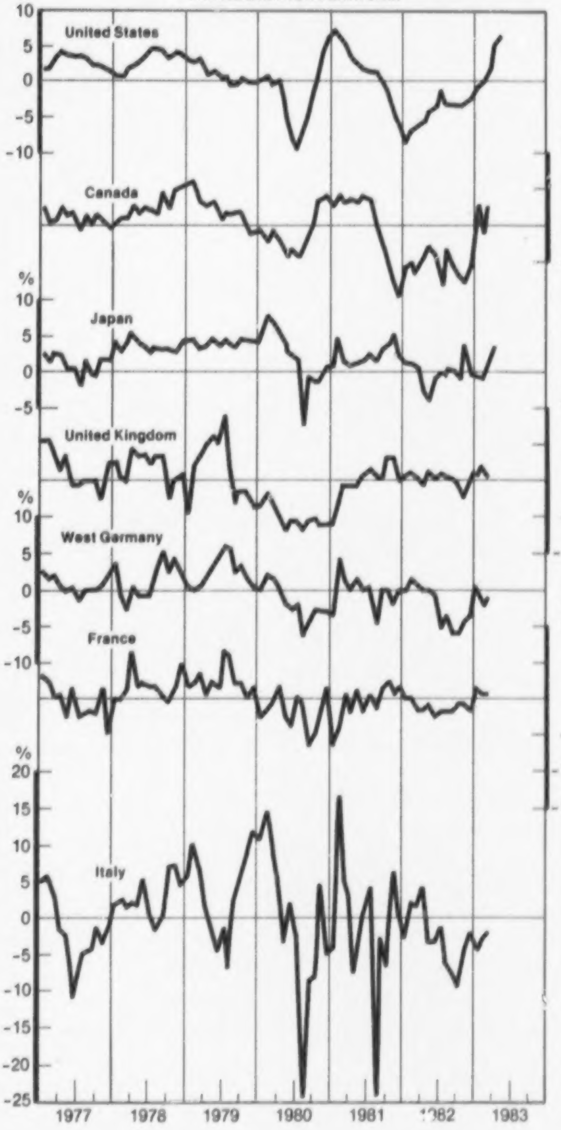
The Conference Board[1]		Chase Econometric Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
May, 1983		*May, 1983*		*May, 1983*		*May, 1983*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3170.9	8.3%	$3170.9	8.3%	$3170.9	8.3%	$3170.9	8.3%	I	1983	Actual
3267.0	12.7	3257.5	11.4	3254.8	11.0	3250.8	10.5	II		Forecast
3362.0	12.1	3328.5	9.0	3330.9	9.7	3339.5	11.4	III		
3445.0	10.2	3409.3	10.1	3407.6	9.5	3429.5	11.2	IV		
3508.0	7.5	3485.4	9.2	3487.9	9.8	3516.1	10.5	I	1984	
3584.0	9.0	3574.7	10.6	3567.7	9.5	3596.8	9.5	II		
3681.0	11.3	3661.9	10.1	3648.7	9.4	3684.2	10.1	III		
3775.0	10.6	3755.7	10.6	3731.6	9.4	3781.7	11.0	IV		
		3844.1	9.8	3809.6	8.6	3869.3	9.6	I	1985	
		3938.8	10.2	3890.9	8.8	3957.8	9.5	II		
3311.2	8.2	3291.5	7.6	3291.0	7.6	3297.7	7.8	Annual	1983	
3637.0	9.8	3619.4	10.0	3609.0	9.7	3644.7	10.5	Annual	1984	
								Gross National Product Billions of Constant (1972) Dollars		
$1486.2	2.5%	$1486.2	2.5%	$1486.2	2.5%	$1486.2	2.5%	I	1983	Actual
1514.4	7.8	1509.4	6.4	1508.9	6.3	1510.3	6.6	II		Forecast
1537.3	6.2	1529.0	5.3	1530.8	5.9	1536.8	7.2	III		
1551.3	3.7	1542.7	3.6	1548.5	4.7	1559.5	6.0	IV		
1557.0	1.5	1558.0	4.0	1566.5	4.7	1580.1	5.4	I	1984	
1571.3	3.7	1576.1	4.7	1584.1	4.6	1595.9	4.1	II		
1592.8	5.6	1593.3	4.4	1601.1	4.4	1613.2	4.4	III		
1611.4	4.8	1610.6	4.4	1616.3	3.9	1632.1	4.6	IV		
		1623.2	3.2	1630.5	3.6	1647.3	3.8	I	1985	
		1638.9	3.9	1644.0	3.4	1662.7	3.8	II		
1522.3	3.1	1516.8	2.7	1518.6	2.8	1523.2	3.1	Annual	1983	
1583.1	4.0	1584.5	4.5	1592.0	4.8	1605.3	5.4	Annual	1984	
								Gross National Product Deflator Index, 1972 = 100		
213.4	5.7%	213.4	5.7%	213.4	5.7%	213.4	5.7%	I	1983	Actual
215.7	4.5	215.8	4.7	215.7	4.5	215.2	3.6	II		Forecast
216.7	5.6	217.7	3.5	217.6	3.5	217.3	3.9	III		
222.1	6.3	221.0	6.2	220.1	4.6	219.9	4.9	IV		
225.3	6.0	223.7	5.0	222.7	4.8	222.5	4.8	I	1984	
228.1	5.0	226.8	5.7	225.2	4.7	225.4	5.2	II		
231.1	5.4	229.8	5.4	227.9	4.8	228.4	5.4	III		
234.3	5.6	233.2	6.0	230.9	5.3	231.7	6.0	IV		
		236.8	6.4	233.6	4.9	234.9	5.6	I	1985	
		240.3	6.1	236.7	5.3	238.0	5.5	II		
217.5	5.0	217.0	4.7	216.7	4.6	216.5	4.5	Annual	1983	
229.7	5.6	228.4	5.3	226.7	4.6	227.0	4.9	Annual	1984	
								Unemployment Rate		
10.4%		10.4%		10.4%		10.4%		I	1983	Actual
10.0		10.1		10.1		10.2		II		Forecast
9.6		9.9		9.7		9.8		III		
9.4		9.8		9.5		9.4		IV		
9.5		9.7		9.3		9.1		I	1984	
9.4		9.4		9.0		9.0		II		
9.1		9.0		8.9		8.8		III		
8.8		8.6		8.7		8.5		IV		
		8.3		8.6		8.3		I	1985	
		8.1		8.5		8.1		II		
9.8		10.0		9.9		9.9		Annual	1983	
9.2		9.2		9.0		8.9		Annual	1984	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900

SELECTED INTERNATIONAL COMPARISONS

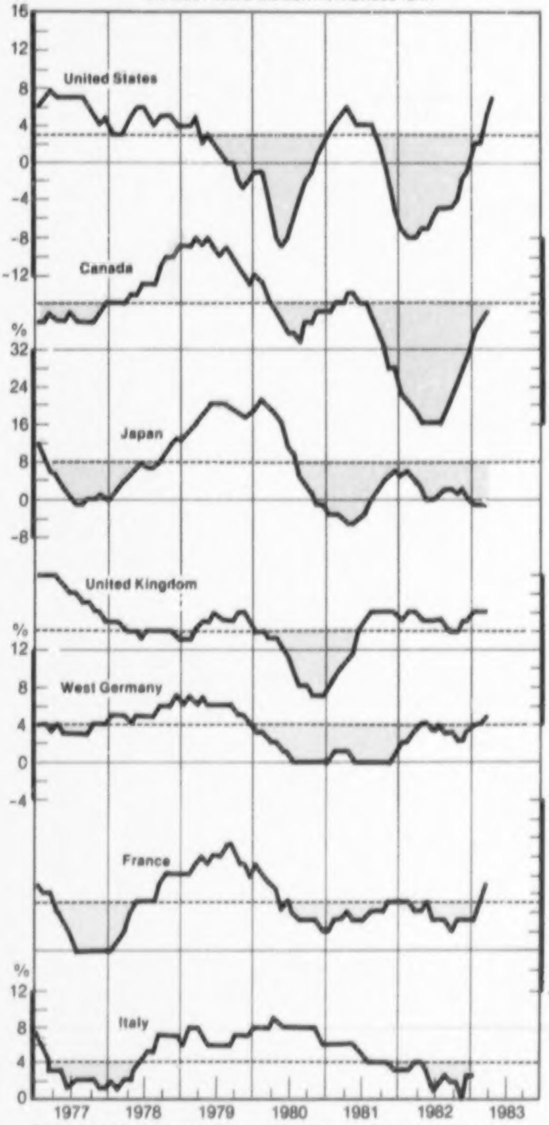
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



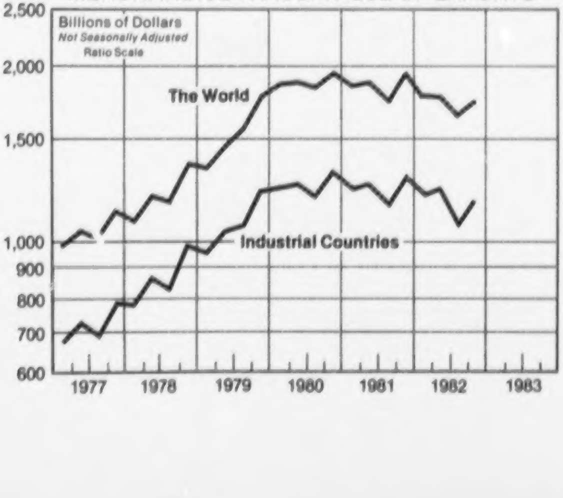
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM SAME MONTH, PREVIOUS YEAR

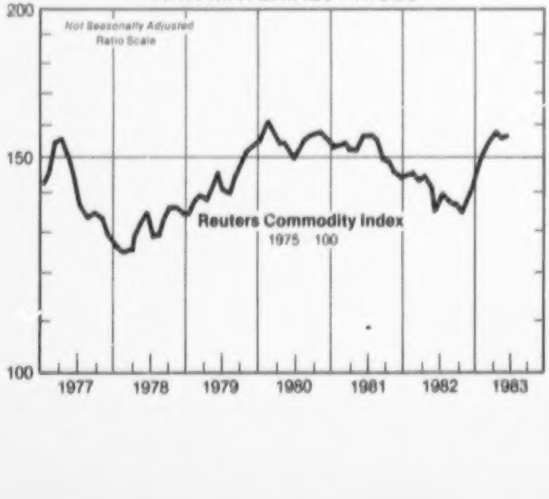


Source: Center for International Business Cycle Research, Rutgers University

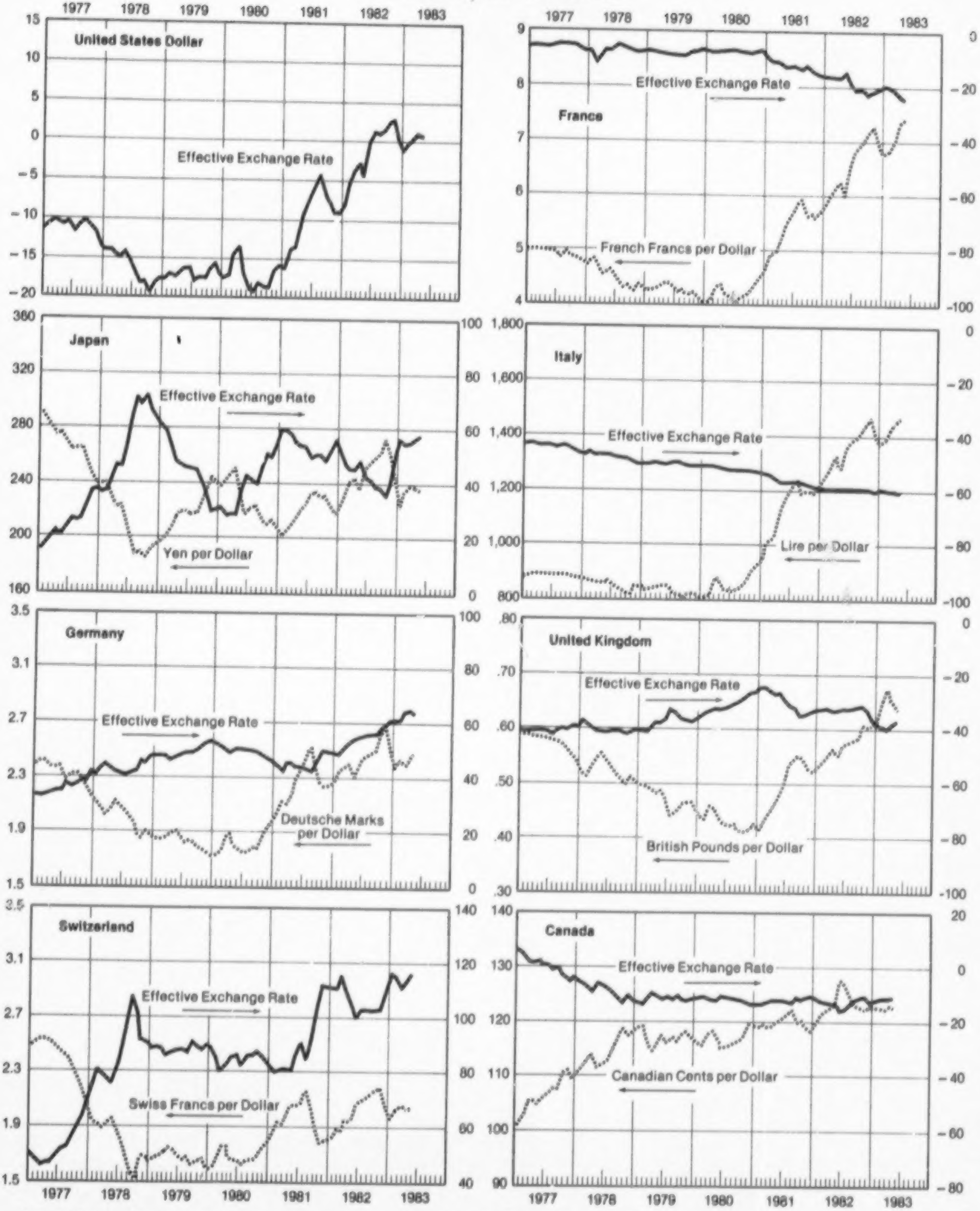
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies, weighted according to the average bilateral manufactures trade of 1976. Changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

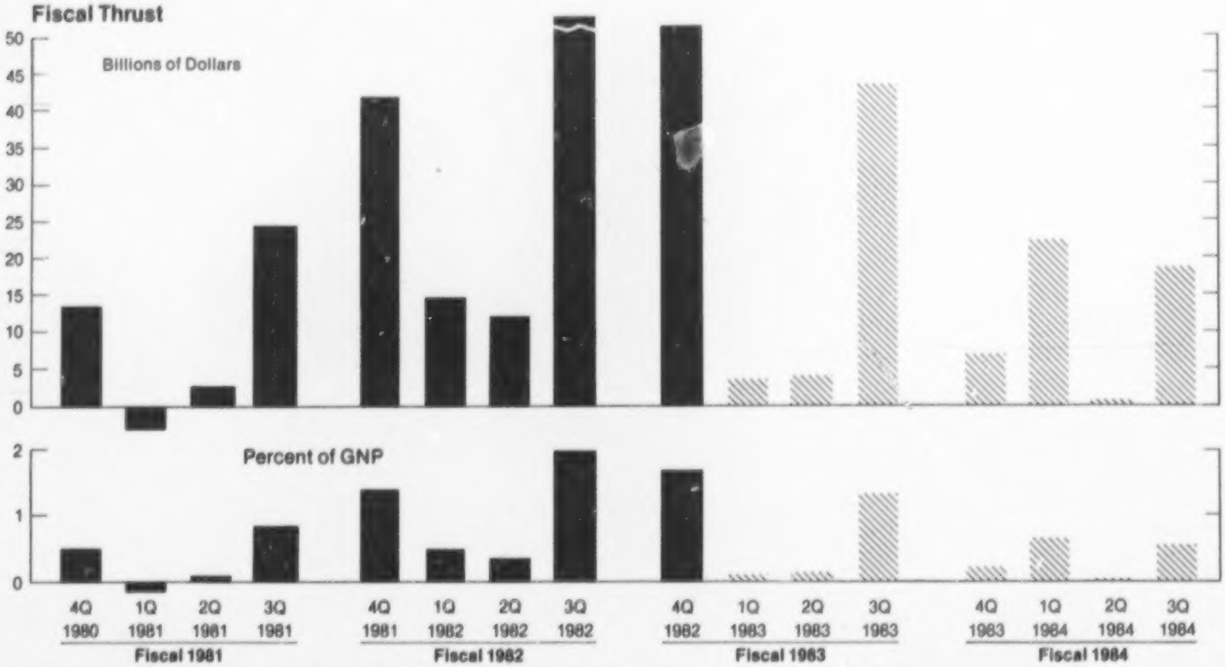
Source: Morgan Guaranty Trust

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1982	Fiscal 1983		Fiscal 1984		
	Actual *(10/26/82)*	*President's Proposal* *(1/31/83)*	*Congressional Estimate* *(9/1/82)*	*Current Services* *(1/31/83)*	*President's Proposal* *(1/31/83)*	*Congressional Estimate* *(3/16/83)*
Receipts	**$617.8**	**$597.5**	**$633.0**	**$648.8**	**$659.7**	**$689.1**
Outlays	**728.4**	**805.2**	**788.0**	**880.3**	**848.5**	**863.6**
Deficit	**—110.6**	**—207.7**	**—155.0**	**—231.5**	**—188.8**	**—174.5**
Receipts by source	**617.8**	**597.5**	**633.0**	**648.8**	**659.7**	**689.1**
Individual income taxes	298.1	285.2	298.0	295.8	295.6	
Corporate income taxes	49.2	35.3	47.0	51.9	51.8	
Social insurance	201.1	210.3	217.0	231.7	242.9	242.3
Other receipts	69.4	66.7	71.0	69.4	69.4	
Outlays by function	**728.4**	**805.2**	**788.0**	**880.3**	**848.5**	**863.6**
Income security	248.8	282.5	270.0	289.7	282.4	284.7
National defense	187.4	214.8	216.0	253.7	245.3	235.4
Health	74.0	82.4	79.0	92.9	90.6	96.0
Veterans' benefits	24.0	24.4	24.0	26.1	25.7	25.6
Education and manpower	25.4	26.7	27.0	27.1	25.3	32.7
Transportation	20.6	21.9	20.0	26.1	25.1	26.2
International affairs	10.0	11.9	13.2	12.8	13.2	13.2
Agriculture	14.8	21.1	15.0	15.3	12.1	14.7
Natural resources and environment	13.1	12.1	11.0	11.2	9.8	12.5
General science	7.1	7.8	8.0	8.1	8.2	8.4
Community development	7.4	7.4	8.0	7.2	7.0	8.6
Revenue sharing	6.2	6.4	6.0	7.2	7.0	7.6
General government	4.8	5.8	5.0	5.9	6.0	6.1
Justice	4.6	5.3	5.0	5.5	5.5	5.5
Energy	4.8	4.5	5.0	4.1	3.3	4.3
Commerce and housing credit	3.8	1.9	2.0	2.1	0.4	2.3
Interest	100.8	88.9	115.0	105.2	103.2	96.2
Allowances	—	—	—3.0	1.9	0.9	1.3
Undistributed offsetting receipts	—29.3	—20.4	—36.0	—21.6	—22.8	—17.4

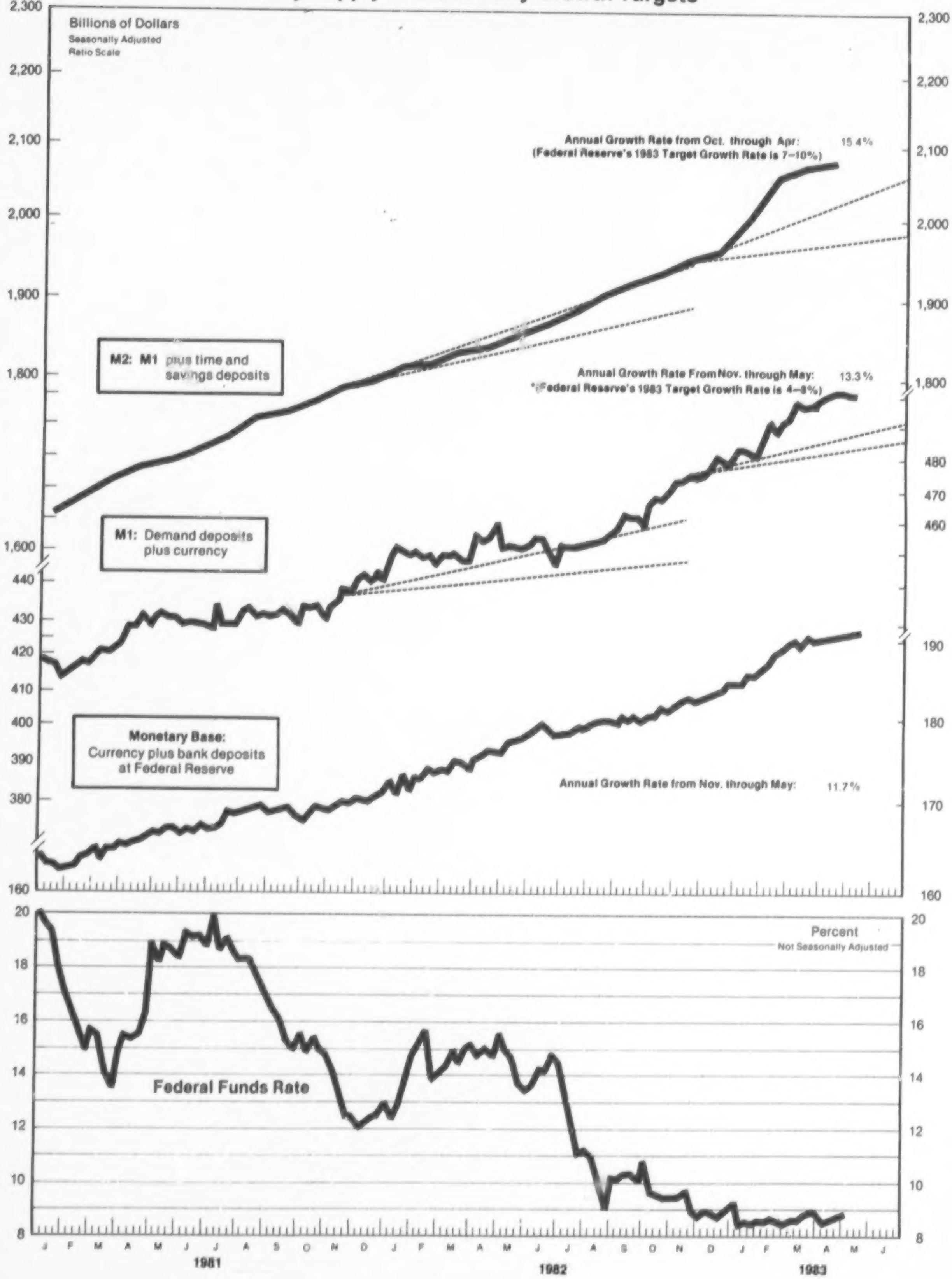
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York: 1980

Money Supply and Monetary Growth Targets



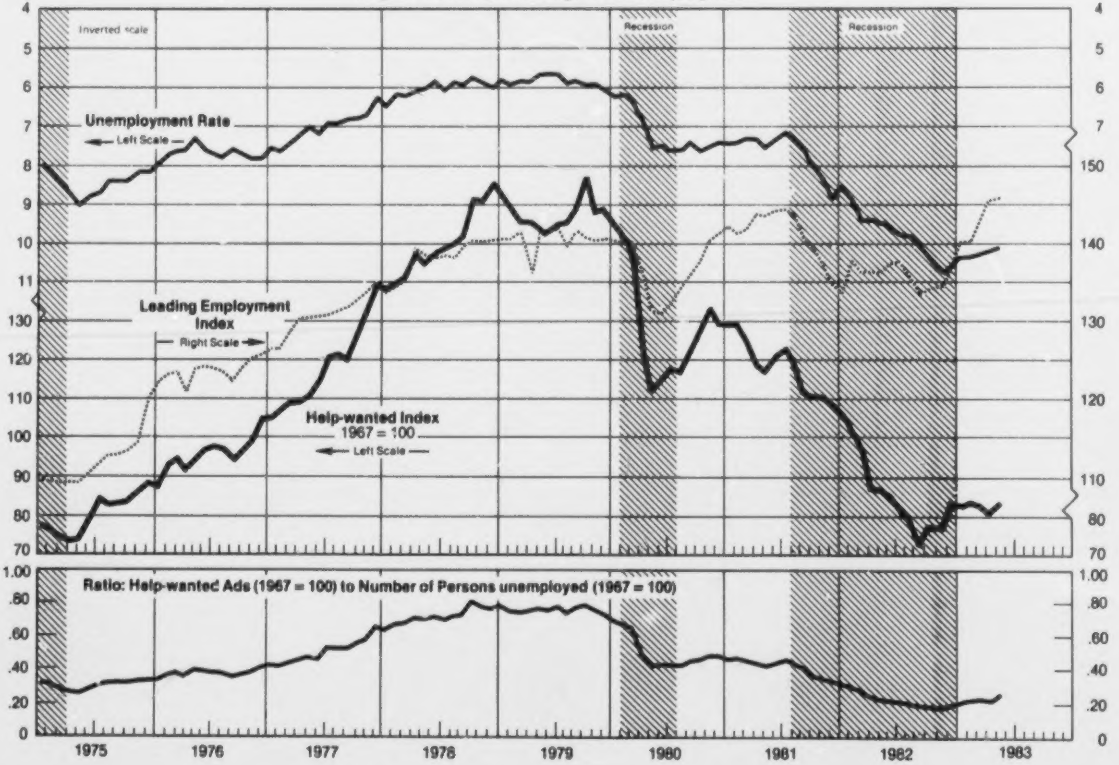
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1983 Apr.	1983 Mar.	1983 Feb.	1982 Apr.
Total Index 51 papers	81	83	83	88
New England	88	89	85	82
Boston	99	103	95	91
Hartford	90	81	87	89
Providence	49	51	51	44
Middle Atlantic	42	43	44	46
Albany	71	78	78	60
Allentown	110	87	97	99
New York	39	39	38	43
Philadelphia	35	37	36	38
Pittsburgh	41	45	46	51
Rochester	41	45	48	56
Syracuse	54	58	93	62
East North Central	42	44	46	47
Chicago	39	42	42	44
Cincinnati	64	67	70	61
Cleveland	34	35	35	42
Columbus	66	72	75	70
Dayton	43	45	45	44
Detroit	32	35	35	34
Gary	78	85	92	104
Indianapolis	52	40	54	48
Milwaukee	30	33	32	35
Toledo	62	62	64	67
West North Central	45	46	46	45
Kansas City	61	64	66	61
Minneapolis	32	34	35	35
Omaha	78	83	76	76
St. Louis	39	37	38	38
South Atlantic	96	98	94	86
Atlanta	156	148	154	135
Baltimore	67	65	60	63
Charlotte	80	85	79	79
Jacksonville	141	142	129	118
Miami	66	72	66	70
Richmond	59	62	61	49
Washington, D.C.	95	102	96	83
East South Central	86	86	89	96
Birmingham	87	90	89	92
Knoxville	132	139	144	221
Louisville	42	50	52	43
Memphis	71	73	74	73
Nashville	128	110	119	120
West South Central	184	188	195	242
Dallas	224	224	238	220
Houston	239	250	263	359
New Orleans	108	105	110	142
Oklahoma City	122	122	116	204
San Antonio	137	145	138	156
Tulsa	102	105	102	168
Mountain	151	167	169	170
Denver	117	134	138	144
Phoenix	204	212	206	203
Salt Lake City	143	166	175	175
Pacific	123	125	122	128
Los Angeles	92	100	97	105
Sacramento	198	201	203	190
San Bernardino	112	101	101	101
San Diego	249	243	235	227
San Francisco	126	120	117	138
Seattle	150	146	145	135
Percentage of papers with rising volume	24%	39%	39%	8%
Unemployment rate	10.2%	10.3%	10.4%	9.3%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1981	70.0	63.5	71.8	75.0	79.9	79.6	78.6	78.6	70.4	67.4	61.6	59.4
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3r	82.7p							

Buying Plans Index

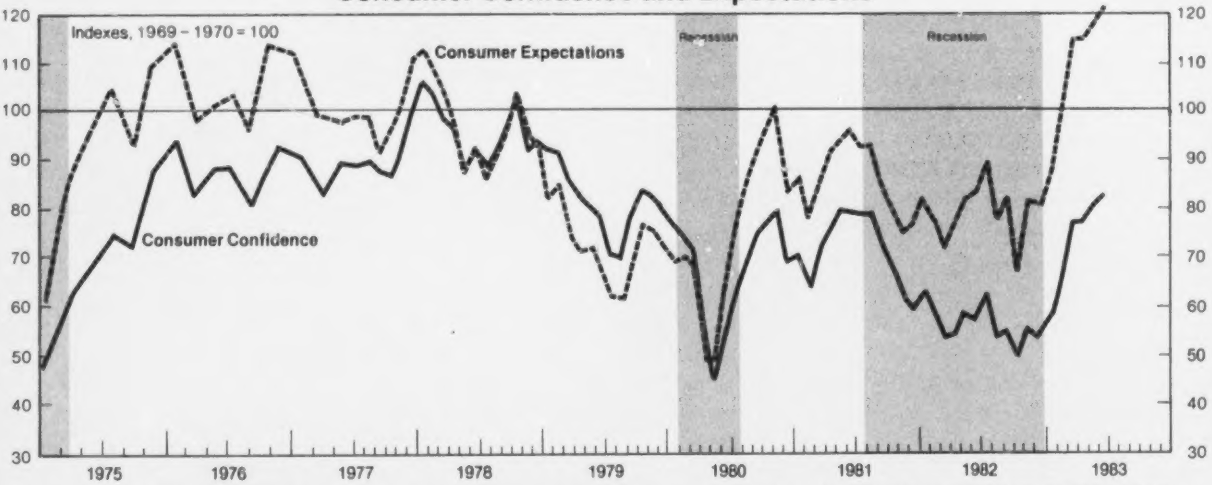
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1981	87.5	90.5	98.0	85.9	84.8	89.5	78.7	96.7	90.3	86.2	89.8	99.2
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0r	84.6p							

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

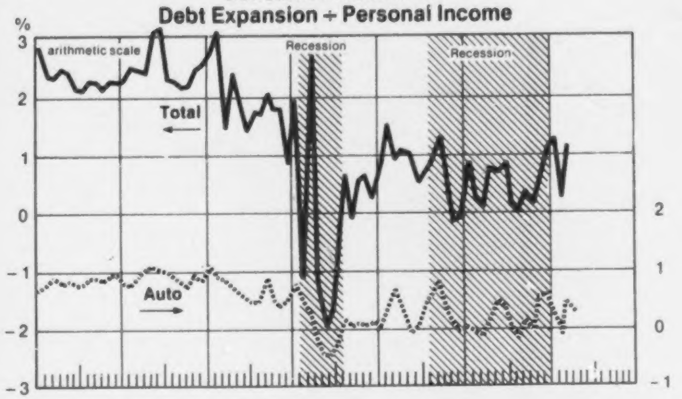
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

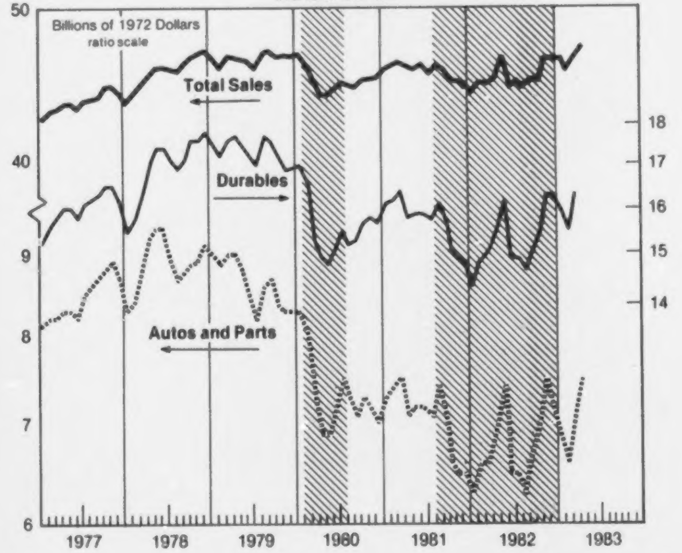
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



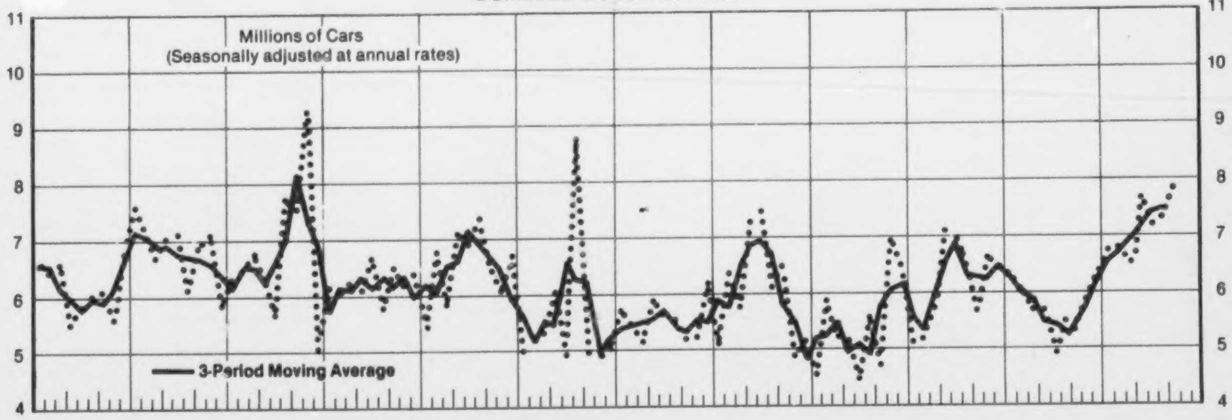
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

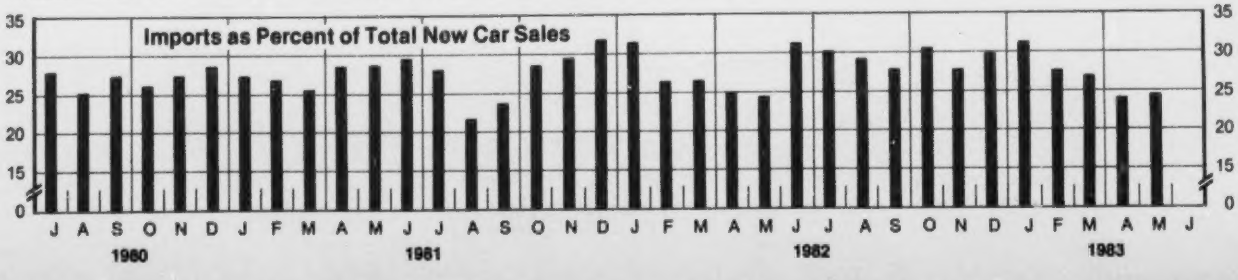
Millions, Seasonally Adjusted at Annual Rate

Periods		1980	1981	1982	1983
January:	1-10	7.87	6.27	5.68	6.34
	11-20	7.08	6.44	5.43	6.08
	21-31	9.17	6.74	5.17	5.69
February:	1-10	6.88	6.30	5.88	5.68
	11-20	8.28	5.65	5.61	4.93
	21-28(29)	6.36	7.70	5.54	5.55
March:	1-10	6.98	7.55	5.18	5.32
	11-20	7.18	9.29	5.24	5.62
	21-31	6.12	5.02	6.16	6.22
April:	1-10	7.02	6.18	5.11	6.76
	11-20	5.94	6.01	6.38	6.77
	21-30	5.90	6.22	5.77	6.52
May:	1-10	5.78	6.09	7.26	7.68
	11-20	6.10	6.64	7.47	7.20
	21-31	5.17	5.76	6.06	7.32
June:	1-10	5.95	6.50	6.51	7.83
	11-20	6.78	6.18	4.83	
	21-30	6.74	6.35	5.17	
July:	1-10	6.60	5.45	4.54	
	11-20	6.41	6.78	5.88	
	21-31	6.59	5.80	5.22	
August:	1-10	5.44	7.08	5.18	
	11-20	5.81	6.91	4.48	
	21-31	6.00	7.38	5.58	
September:	1-10	6.05	6.57	4.70	
	11-20	5.58	6.09	6.95	
	21-30	6.74	6.67	6.49	
October:	1-10	7.60	4.98	5.09	
	11-20	7.09	5.18	5.16	
	21-31	6.49	5.32	5.68	
November:	1-10	7.03	6.05	7.10	
	11-20	7.10	4.93	6.94	
	21-30	6.11	8.75	6.49	
December:	1-10	6.88	4.98	5.64	
	11-20	7.08	4.88	6.62	
	21-31	5.81	5.03	6.46	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales





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STATISTICAL BULLETIN

Volume 16, No. 7, July, 1983

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The Conference Board

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COMMENT

The *Economic Forecasts* had been telling us, until very recently, that the recovery (now formally dated as beginning in December) was bound to be relatively modest—specifically, that real growth would not get above about a 4½% annual rate in any quarter this year or next. There was thought to be little prospect of a good old-fashioned recovery developing, with growth up around 7% to 8% for several quarters running. It was assumed that the forward momentum of activity was too weak to grow any faster, given the constraint of very high real interest rates. Interest-sensitive sectors, especially home construction, would not perform their historical task of leading the pack out onto the recovery track. The latest batch of economic data, however, clearly shows that the recovery has been more robust than earlier thought possible.

The *Perspective on the Federal Budget* table shows the size of the actual deficit last fiscal year, and the estimated deficit for the current fiscal year. Unintended though those large deficits may have been, they indicate that extraordinary fiscal stimulus has been applied to this recovery. Furthermore, despite very high loan rates for both builders and homeowners, construction went through the roof. Housing starts reached a 1.7 million unit annual rate in February, and was just under a 1.8 million unit rate in May. Many analysts thought it would take all year to get up to those levels. What all this means is that the constraining effect of high interest rates was overestimated while the underlying strength of the system was underestimated. The current *Economic Forecasts* carry a message suggesting that while the pace of activity has certainly matched that of a good old-fashioned recovery to date, the fast rate will not be sustained for as long as it usually has been in past recovery periods.

The driving force of this recovery centers in renewed strength of consumer demand—which strength derives from renewed confidence in economic performance and gains in real spending power. The Conference Board's *Consumer Confidence Index* bottomed out at 49.7 (1969-1970 = 100) in October, 1982. Since then, it has risen steadily to 84.9 in June. This overall measure of consumer attitudes has now recovered all the ground lost in the last three years, and stands higher than before the back-to-back recessions got under way.

Some analysts believe that the direction of change in the national unemployment rate influences the consumer's frame of mind more than the actual level of joblessness. While the rate remains very high, the direction of change has been to a slow but steady decline—from 10.8% in December to 10% in June. The surveys show that where 60% of the respondents said jobs were hard to get in October, only 49% said that in June. And only 18% said in October that they thought more jobs would be available in six months, but 30% said that in June. Fears about being laid off have clearly been allayed and, consequently, consumers are more disposed to go out and buy furniture, appliances, cars and homes now than at any time since late 1979.

Industrial production began rising in November and has continued to rebound quite rapidly. The monthly increase exceeded 1% in five of the seven months through June (the latest reported). Higher production levels have begun to spur some solid increases in earnings. Personal income, adjusted for inflation, was only one-half percent higher in April than last January, but then grew by that much in May alone.

Consumer spending rose faster in the first half of this year than did income. Retail sales, adjusted for inflation, were almost 6% higher in June than last January, with a greater increase in sales of cyclically sensitive durable goods than in sales of nondurable items. That trend is very likely to continue in the second half of the year and on into 1984. This expectation assumes that consumers, who have regained enough confidence to step up buying on credit a little, will continue to purchase big-ticket items and finance them partly with credit. That, in turn, assumes that rising production will continue to bolster consumer confidence and generate further increases in income. More willingness to spend and more spending power will continue to strengthen consumer demand—which will help keep production expanding. And this forward momentum is strong enough at the moment, as suggested by the *Economic Forecasts,* for modest increases in already-high consumer loan rates to do little more than constrain the pace at which it develops. Put another way, only substantial hikes in rates, more than the fraction of 1% now contemplated, would seriously brake the forward momentum and constrict this cycle.

The compositive index of *Leading Economic Indicators* continued to rise very sharply in May, suggesting that no setback to the rising production trend is likely in the next several months. The *Economic Forecasts* indicate that real ouptut rose very significantly in the second quarter and will continue to gain substantially in the third quarter. The models estimate that real ouptut rose by between 6.6% and 7.9% in the second quarter—with a median forecast of 7.0% (seasonally adjusted at annual rates). The range of

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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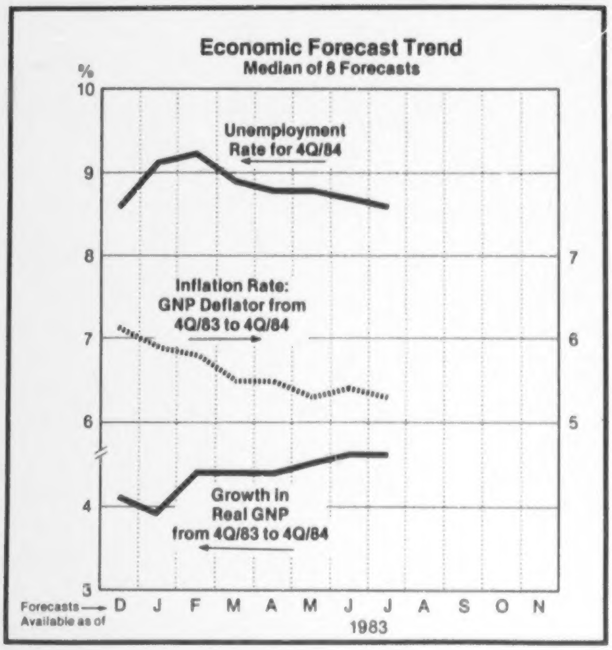
845 Third Avenue
New York, New York 10022

The Conference Board, Inc.
Avenue Louise, 207 Bte 5
B-1050 Brussels, Belgium



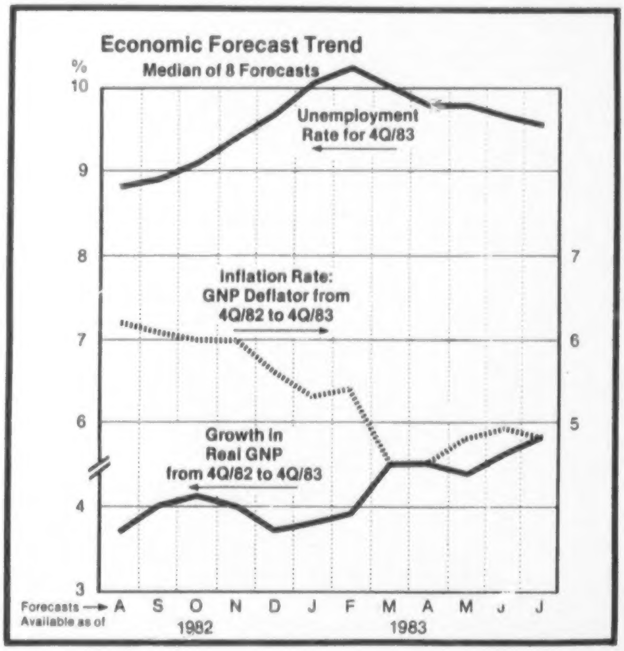
forecasts for real GNP growth in the third quarter is now between 4.1% and 7.4%, with a median of 5.6 percent. Not only are consumer attitudes rising, and business confidence improving (see the *Business Executives' Expectations* table), but the forecasters' expectations have become more optimistic in the last few months.

At the beginning of the year, the consensus of the *Economic Forecasts* was that real output would rise by 3.8% from the fourth quarter of 1982 to the fourth quarter of 1983. That figure was hiked to 4.5% by March and to 4.8% in the latest round of revisions. Expectations for growth in 1984 have been raised commensurately. At the beginning of the year, the consensus was for growth of 3.9% from the fourth quarter of 1983 to the fourth quarter of 1984. That figure is now put at 4.6 percent. While the economy is growing substantially faster than these rates at the moment, an expected rise in interest rates is likely to prevent the recovery from continuing at a very rapid pace far more than two quarters. Nonetheless, these forecasts indicate that recovery will continue, federal budget deficits and some hike in interest rates notwithstanding, through the end of 1984 and into the first half of 1985 (the forecast horizon).

The *Economic Forecasts* continue to point to subdued rates of inflation through the forecast horizon. The accompanying charts show that the GNP deflator is expected to rise by just under 5% this year and by just under 5½% next year, on a fourth-quarter to fourth-quarter basis. Nevertheless, financial markets continue to exhibit a bad case of jitters over high money growth (see the *Money Supply and Monetary Targets* chart), and whether it will lead to more inflation down the road. There is widespread concern that the Federal Reserve will decide to rein in money supply growth—perhaps as early as the mid-July Open Market Committee meeting—and that this will increase competition for funds in credit markets, and thus send the cost of funds higher. Many market analysts believe some tightening in policy is inevitable, and that rates will almost assuredly move somewhat higher in the second half of the year. The Federal Funds rate—the rate at which banks borrow from other banks—has been in a range of 8½% to 9% through the first half of 1983, but moved closer to 9½% in early July. It may be allowed to move higher, perhaps to 10%, in the second half of the year and carry other short rates along with it.

The rapid pace of recovery in the second quarter allowed for significant improvement in reducing jobless rolls. Production is definitely rising faster than employment, but demand for output is now strong enough to lead to demand for more inputs—more labor but, as yet, not much more capital. The Conference Board's *Help-wanted Index* jumped from 81 (1967 = 100) in April to 88 in May, and early returns indicate a gain of several more points in June. Hiring efforts have clearly begun to expand in all nine regions of the country, including the depressed areas in the Midwest. Better labor market conditions are important now since they will reinforce improvement in consumer attitudes, a key factor in the consumer-sustained recovery. The *Economic Forecasts* indicate that while unemployment will remain high through the forecast horizon it is expected to decline a little faster than was forecast a few months ago.

Ken Goldstein
July 12, 1983

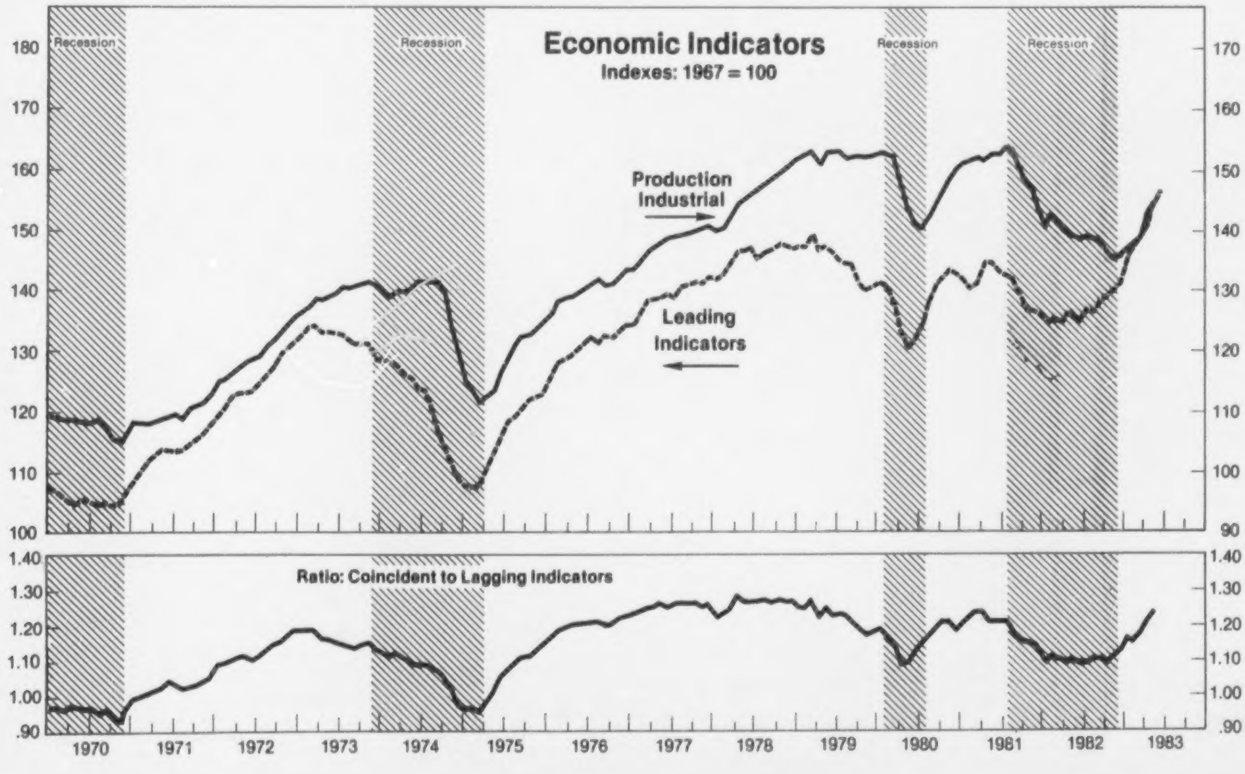


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change from year-ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	May	X			+ 4.7%	+ 13.4%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	May	X			+ 21.0%	+ 16.9%
New orders, nondefense capital goods (deflated)	May	X			+ 19.7%	+ 9.3%
*Net business formation	May		X		+ 1.3%	+ 0.2%
*Housing permits	May	X			+ 10.5%	+ 72.0%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	May	X			+ 7.0%	+ 9.5%
*Change in inventory, on hand & order (deflated)	May	X			+ 19.8%	+ 20.3%
Purchasing agents' buying policy	June			X	— 5.0%	+ 1.0%
*Vendor performance, reported slower deliveries	May	X			+ 10.0%	+ 22.0%
Industrial raw materials prices	June		X		+ 0.4%	+ 7.2%
*Change in sensitive material prices	May		X		+ 0.4%	+ 2.3%
Sensitive Financial Flows						
*Money balance (M2 deflated)	May	X			+ 1.0%	+ 9.5%
Change in business loans	May			X	—42.1%	—92.9%
*Change in credit outstanding	May			X	— 3.1%	— 6.5%
Change in consumer installment debt	Apr.		X		— 5.5%	+ 7.6%
Profitability						
Total corporate profits, after tax (deflated)	1st Q			X	— 4.3%	— 4.6%
*Common stock prices	June	X			+ 9.0%	+ 50.9%
Marginal Employment Adjustments						
*Average workweek, mfg.	June	X			+ 0.6hr.	+ 1.0hr.
*Initial unemployment claims (inverted)	June	X			+ 13.1%	+ 24.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



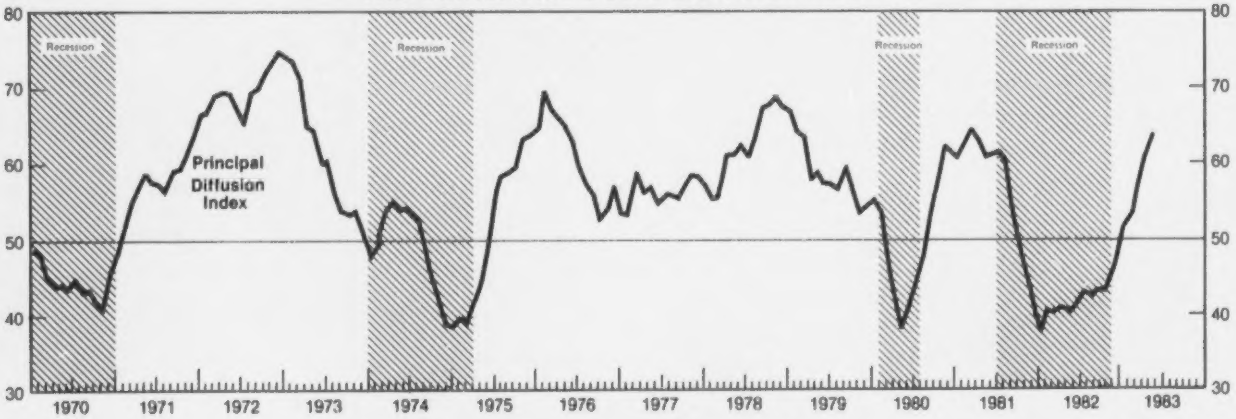
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1983 Jan.	Feb.	Mar.	Apr.	May(e)
Principal Diffusion Index	51.0r	52.3r	56.1r	60.2r	63.8
Auxiliary Diffusion Index	63.8r	54.4r	62.2r	63.3r	62.0
Industrial Group	45.0	47.2	54.0	60.1	65.4
Nonindustrial Group	56.9r	57.4r	58.1r	60.3r	62.3
Sense of Diffusion	0	0	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	37.2	46.6	55.6	63.7	70.9
Labor	41.5	44.1	49.6	54.2	58.2
Miscellaneous	65.4	55.8	62.8	69.2	75.0
Nonindustrial Subgroups					
Prices	51.3	59.6	67.3	73.7	71.8
Consumer	74.8	68.8	73.5	72.6	72.2
Building	49.4	49.4	42.3	43.6r	44.2
Miscellaneous	48.0r	50.0r	47.0r	50.0r	58.1

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1980	*1981*				*1982*				*1983*	
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
						Score (scale 0-100)					
Measure of Business Confidence	63	58	61	57	43	47	52	55	60	70	76
1. Appraisal of Current Economic Conditions Compared With Six Months Ago.............	59	50	57	48	26	23	30	38	44	65	76
2. Expectations for Economy, Six Months Ahead.......................	67	63	64	63	51	59	64	65	70	76	78
3. Expectations for Own Industry, Six Months Ahead.......................	63	61	61	60	52	58	61	61	65	70	72

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1981		1982				1983	Percent Change From Previous Year		
								1981	1982	1983
	III	IV	I	II	III	IVr	Ip	Actual	Actual	Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	26.938	22.992	25.767	19.331	18.482	21.043	20.965	2	—18	6
Capital expenditures	26.217	26.174	26.924	25.734	23.926	22.643	19.736	15	— 3	— 5
Change in appropriations backlog*	+ 1.164	—4.602	—1.629	—8.289	—8.527	—3.903	—0.719			
Durable Goods										
New appropriations	11.549	9.532	8.446	7.308	7.543	8.211	7.968	—5	—24	4
Capital expenditures	11.079	10.965	11.161	10.663	9.629	8.817	8.086	4	— 7	—17
Change in appropriations backlog*	+ 0.964	—1.953	—2.994	—4.165	—4.267	—1.307	—0.854			
Nondurable Goods										
New appropriations	15.389	13.460	17.321	12.023	10.939	12.832	12.997	7	—14	6
Capital expenditures	15.138	15.209	15.763	15.071	14.297	13.826	11.650	24	0	3
Change in appropriations backlog*	+ 0.200	—2.649	+ 1.365	—4.124	—4.260	—2.596	+ 0.135			
ELECTRIC & GAS UTILITIES										
New appropriations	9.676	8.916	8.939	8.303	10.490	10.778	6.944			
Capital expenditures	8.491	8.424	8.919	8.804	8.925	9.353	8.977			
Change in appropriations backlog*	—8.338	—3.677	—8.995	—1.871	+ 0.713	—4.559	—5.618			

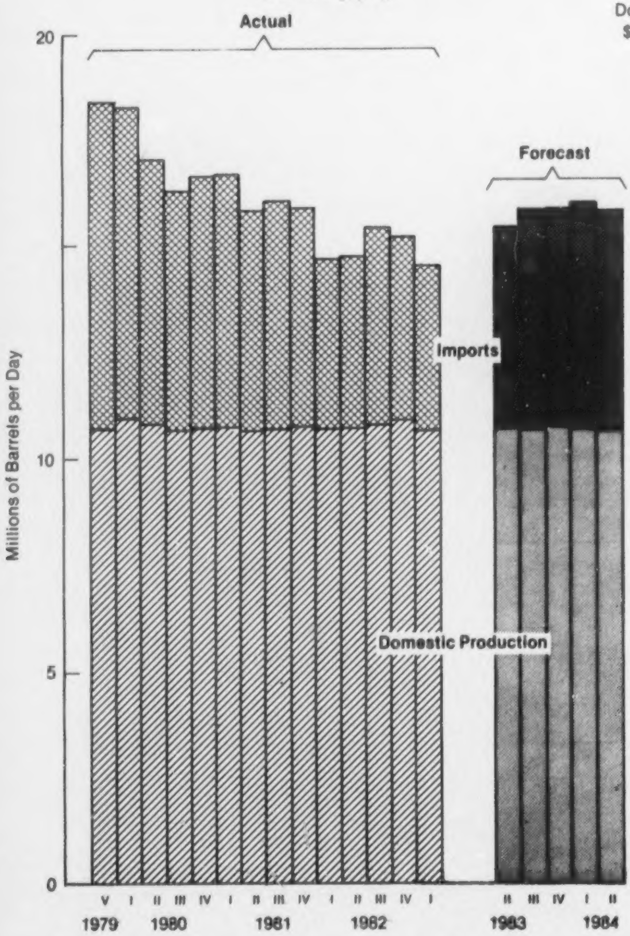
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

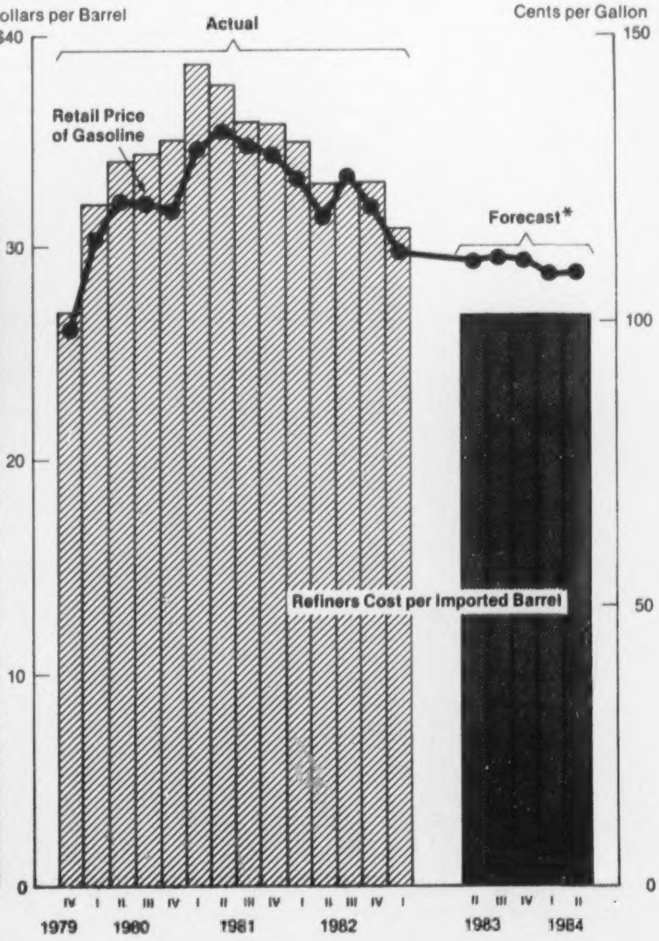
* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply

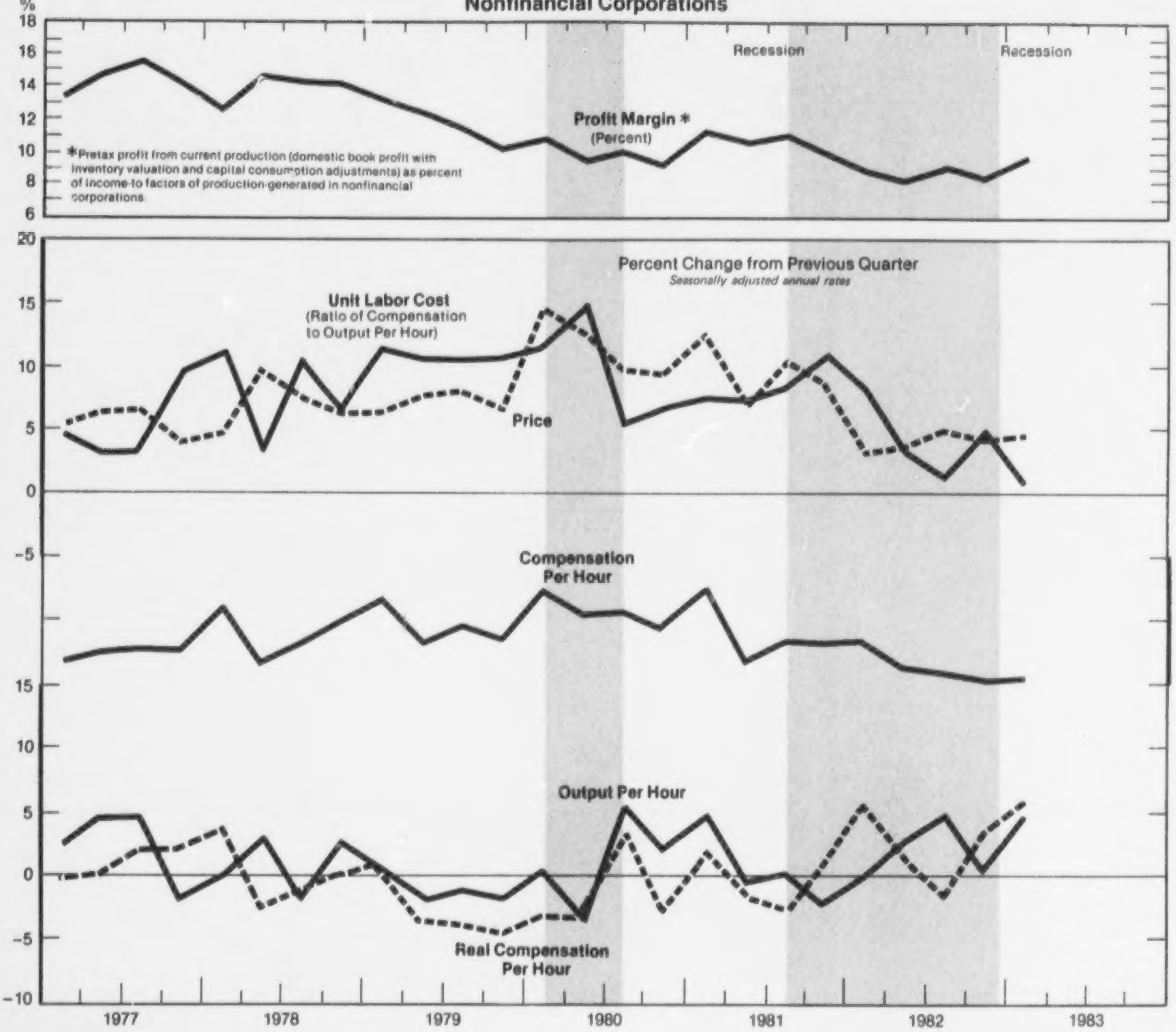


Oil Price

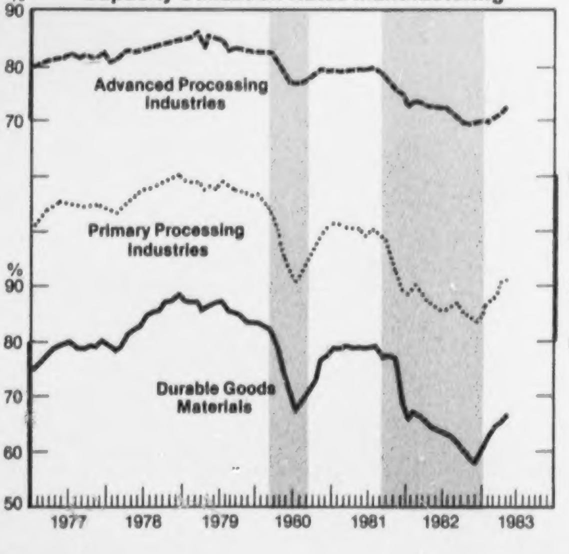


*Source: of Forecast is The Energy Information Administration; Department of Energy.

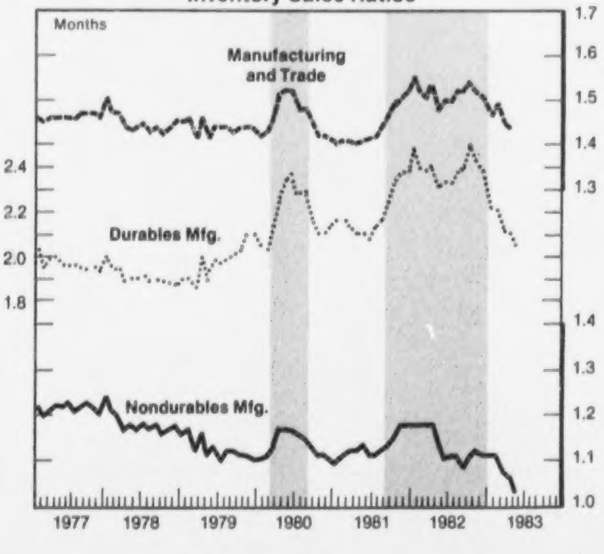
Key Determinants of Profit Margin,
Nonfinancial Corporations



Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[1]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*June, 1983*		*June, 1983*		*June, 1983*		*June, 1983*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1983**	**I**					**$3170.6**	**8.3%**	**$3170.6**	**8.3%**
Forecast		II	$3261.9	12.0%	$3255.7	11.1%	3241.1	9.2	3264.8	12.4
		III	3326.1	8.1	3335.9	10 2	3304.8	8.1	3351.0	11.0
		IV	3386.4	7.5	3415.4	9.9	3363.7	7.3	3428.0	9.5
	1984	I	3479.0	11.4	3492.1	9.3	3432.0	8.4	3497.5	8.4
		II	3579.4	12.1	3576.7	10.0	3525.6	11.4	3568.4	8.4
		III	3678.5	11.5	3672.3	11.1	3604.5	9.3	3655.7	10.2
		IV	3773.0	10.7	3769.1	11.0	3698.2	10.8	3755.8	11.4
	1985	I	3858.0	9.3					3852.1	10.7
		II	3934.6	8.2						
	1983	Annual	3286.3	7.4	3294.5	7.7	3270.0	6.9	3303.6	8.0
	1984	Annual	3627.5	10.4	3627.6	10.1	3565.1	9.0	3619.3	9.6
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1983**	**I**					**$1486.7**	**2.6%**	**$1486.7**	**2.6%**
Forecast		II	$1512.3	7.2%	$1510.0	6.6%	1511.0	6.7	1515.2	7.9
		III	1527.5	4.1	1529.3	5.2	1530.0	5.1	1538.2	6.2
		IV	1537.3	2.6	1545.4	4.3	1545.0	4.0	1555.2	4.5
	1984	I	1561.1	6.3	1559.7	3.8	1560.0	3.9	1569.0	3.6
		II	1587.1	6.8	1575.5	4.1	1581.0	5.5	1581.8	3.3
		III	1610.4	6.0	1595.4	5.1	1602.0	5.4	1600.1	4.7
		IV	1628.5	4.6	1615.8	5.2	1622.0	5.1	1620.9	5.3
	1985	I	1643.0	3.6					1639.6	4.7
		II	1653.2	2.5						
	1983	Annual	1515.8	2.6	1517.7	2.8	1518.2	2.8	1523.8	3.2
	1984	Annual	1596.8	5.3	1586.6	4.5	1591.3	4.8	1592.9	4.5
Gross National Product Deflator Index, 1972 = 100										
Actual	**1983**	**I**					**213.3**	**5.5%**	**213.3**	**5.5%**
Forecast		II	215.7	4.5%	215.6	4.3%	214.5	2.3	215.5	4.2
		III	217.7	3.9	218.1	4.8	216.0	2.8	217.9	4.5
		IV	220.3	4.7	221.0	5.4	217.7	3.2	220.4	4.8
	1984	I	222.9	4.8	223.9	5.3	220.0	4.3	222.9	4.6
		II	225.5	4.9	227.0	5.7	223.0	5.6	225.6	4.9
		III	228.4	5.2	230.2	5.7	225.0	3.6	228.5	5.2
		IV	231.7	5.8	233.3	5.5	228.0	5.4	231.7	5.8
	1985	I	234.6	5.5					234.9	5.7
		II	238.0	5.5						
	1983	Annual	216.8	4.6	217.0	4.8	215.4	4.0	216.8	4.6
	1984	Annual	227.1	4.8	228.6	5.3	224.0	4.0	227.2	4.8
Unemployment Rate										
Actual	**1983**	**I**	**10.4%**		**10.4%**		**10.4%**		**10.4%**	
Forecast		II	10.0		10.1		10.1		10.1	
		III	9.8		10.0		9.9		9.7	
		IV	9.7		9.8		9.7		9.5	
	1984	I	9.4		9.6		9.4		9.2	
		II	9.1		9.4		9.1		9.2	
		III	8.8		9.1		8.8		9.0	
		IV	8.5		8.7		8.5		8.9	
	1985	I	8.3						8.7	
		II	8.3							
	1983	Annual	10.0		10.1		10.0		9.9	
	1984	Annual	8.9		9.2		9.0		9.1	

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (first revision) first quarter data.

[2] Based on revised (second revision) first quarter data.

ECONOMIC FORECASTS (continued)

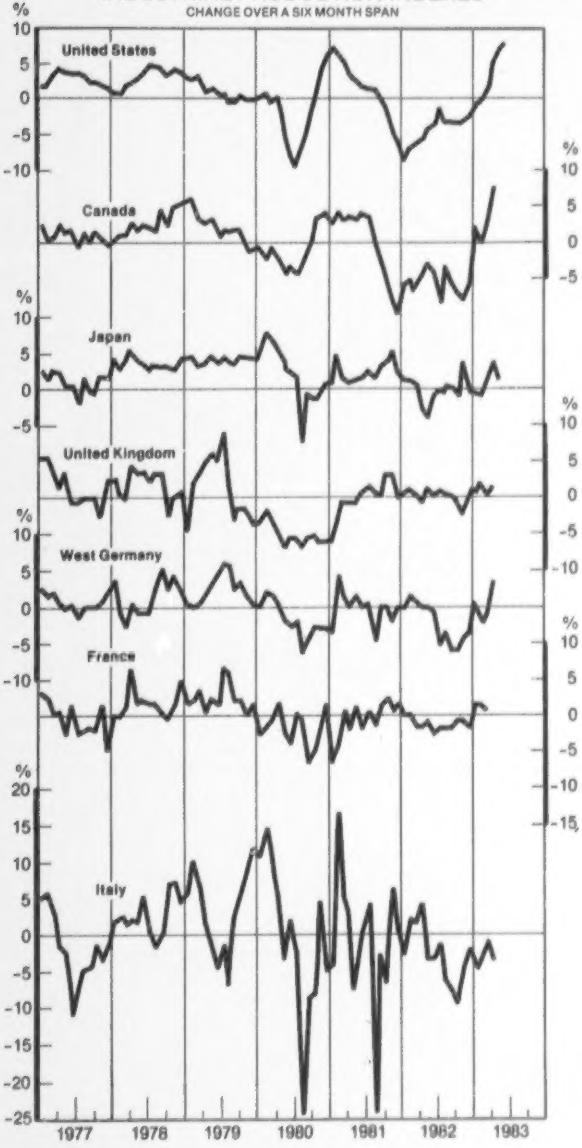
The Conference Board¹		Chase Econometric Associates, Inc.²		Data Resources Inc.³		Wharton E.F.A. Inc.⁴				
May, 1983		*June, 1983*		*June, 1983*		*June, 1983*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
		$3170.6	**8.3%**	**$3170.6**	**8.3%**	**$3170.6**	**8.3%**	**I**	**1983**	**Actual**
$3267.0	12.7%	3269.1	13.0	3259.5	11.7	3266.1	12.6	II		Forecast
3362.0	12.1	3333.4	8.1	3338.2	10.0	3364.4	12.6	III		
3445.0	10.2	3406.9	9.1	3411.8	9.1	3464.5	12.4	IV		
3508.0	7.5	3484.6	9.4	3484.3	8.8	3550.5	10.2	I	1984	
3584.0	9.0	3577.2	11.1	3557.1	8.6	3635.4	10.0	II		
3681.0	11.3	3662.3	9.9	3630.1	8.5	3735.6	11.5	III		
3775.0	10.6	3749.2	9.8	3705.9	8.6	3837.4	11.4	IV		
		3831.6	9.1	3779.4	8.2	3922.5	9.2	I	1985	
		3915.5	9.1	3857.5	8.5	4013.3	9.6	II		
3311.2	8.2	3295.0	7.7	3295.0	7.7	3316.4	8.4	Annual	1983	
3637.0	9.8	3618.3	9.8	3594.3	9.1	3689.6	11.3	Annual	1984	
								Gross National Product Billions of Constant (1972) Dollars		
		$1486.7	**2.6%**	**$1486.7**	**2.6%**	**$1486.7**	**2.6%**	**I**	**1983**	**Actual**
$1514.4	7.8%	1512.9	7.2	1511.4	6.8	1511.4	6.6	II		Forecast
1537.3	6.2	1531.1	4.9	1533.3	5.9	1538.5	7.4	III		
1551.3	3.7	1544.2	3.5	1551.3	4.8	1562.5	6.4	IV		
1557.0	1.5	1560.0	4.2	1567.6	4.3	1580.9	4.8	I	1984	
1571.3	3.7	1579.4	5.1	1584.0	4.3	1596.8	4.1	II		
1592.6	5.6	1597.9	4.8	1599.3	3.9	1617.2	5.2	III		
1611.4	4.8	1614.9	4.3	1614.3	3.8	1634.5	4.3	IV		
		1628.4	3.4	1629.2	3.7	1645.3	2.7	I	1985	
		1641.5	3.3	1643.5	3.6	1656.0	2.6	II		
1522.3	3.1	1518.7	2.8	1520.7	3.0	1524.8	3.2	Annual	1983	
1583.1	4.0	1588.0	4.6	1591.3	4.6	1607.3	5.4	Annual	1984	
								Gross National Product Deflator Index, 1972 = 100		
		213.3	**5.6%**	**213.3**	**5.5%**	**213.3**	**5.5%**	**I**	**1983**	**Actual**
215.7	4.5%	216.1	5.4	215.7	4.6	216.1	5.4	II		Forecast
218.7	5.6	217.7	3.1	217.7	3.9	218.7	4.9	III		
222.1	6.3	220.6	5.5	219.9	4.1	221.7	5.7	IV		
225.3	6.0	223.4	5.1	222.3	4.3	224.6	5.2	I	1984	
228.1	5.0	226.5	5.7	224.6	4.2	227.7	5.7	II		
231.1	5.4	229.2	4.9	227.0	4.4	231.0	6.0	III		
234.3	5.6	232.2	5.3	229.6	4.6	234.8	6.7	IV		
		235.3	5.5	232.0	4.3	236.4	6.3	I	1985	
		238.5	5.6	234.7	4.8	242.3	6.8	II		
217.5	5.0	216.9	4.7	216.6	4.6	217.4	5.0	Annual	1983	
229.7	5.6	227.8	5.0	225.8	4.2	229.5	5.5	Annual	1984	
								Unemployment Rate		
10.4%		**10.4%**		**10.4%**		**10.4%**		**I**	**1983**	**Actual**
10.0		10.0		10.0		10.1		II		Forecast
9.6		9.8		9.6		9.7		III		
9.4		9.6		9.3		9.3		IV		
9.5		9.4		9.1		9.0		I	1984	
9.4		9.2		8.9		8.9		II		
9.1		8.8		8.7		8.6		III		
8.8		8.4		8.6		8.3		IV		
		8.2		8.4		8.2		I	1985	
		8.1		8.3		8.2		II		
9.8		9.9		9.8		9.9		Annual	1983	
9.2		9.0		8.8		8.7		Annual	1984	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900

SELECTED INTERNATIONAL COMPARISONS

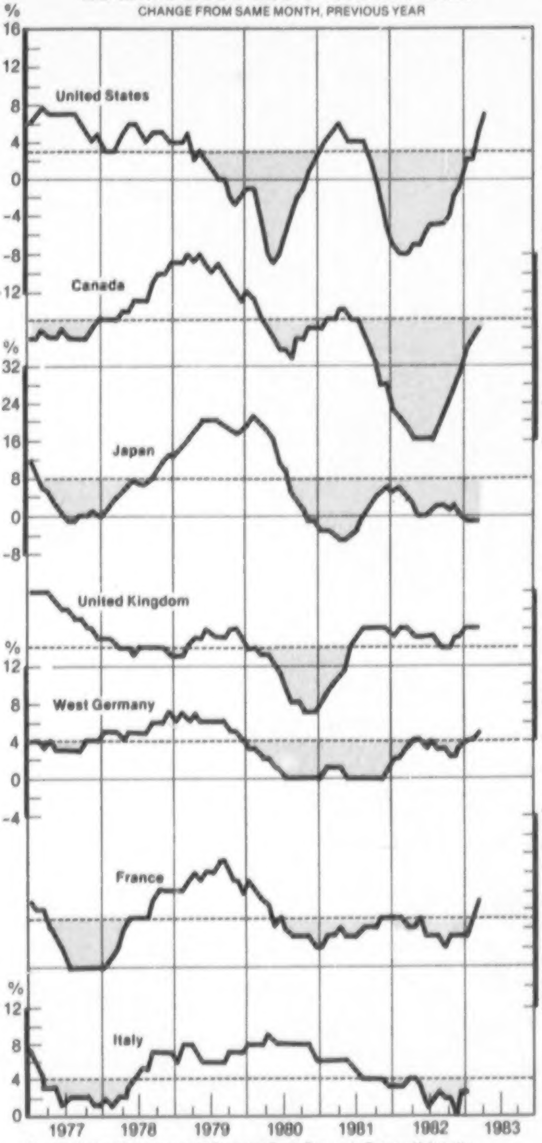
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



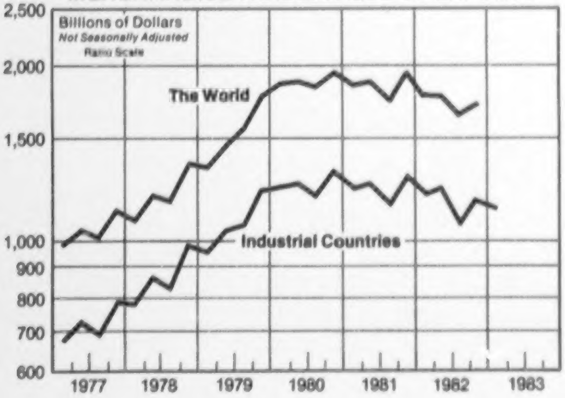
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM SAME MONTH, PREVIOUS YEAR

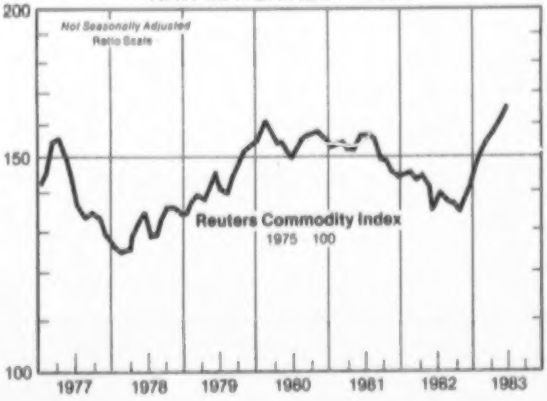


Source: Center for International Business Cycle Research, Rutgers University.

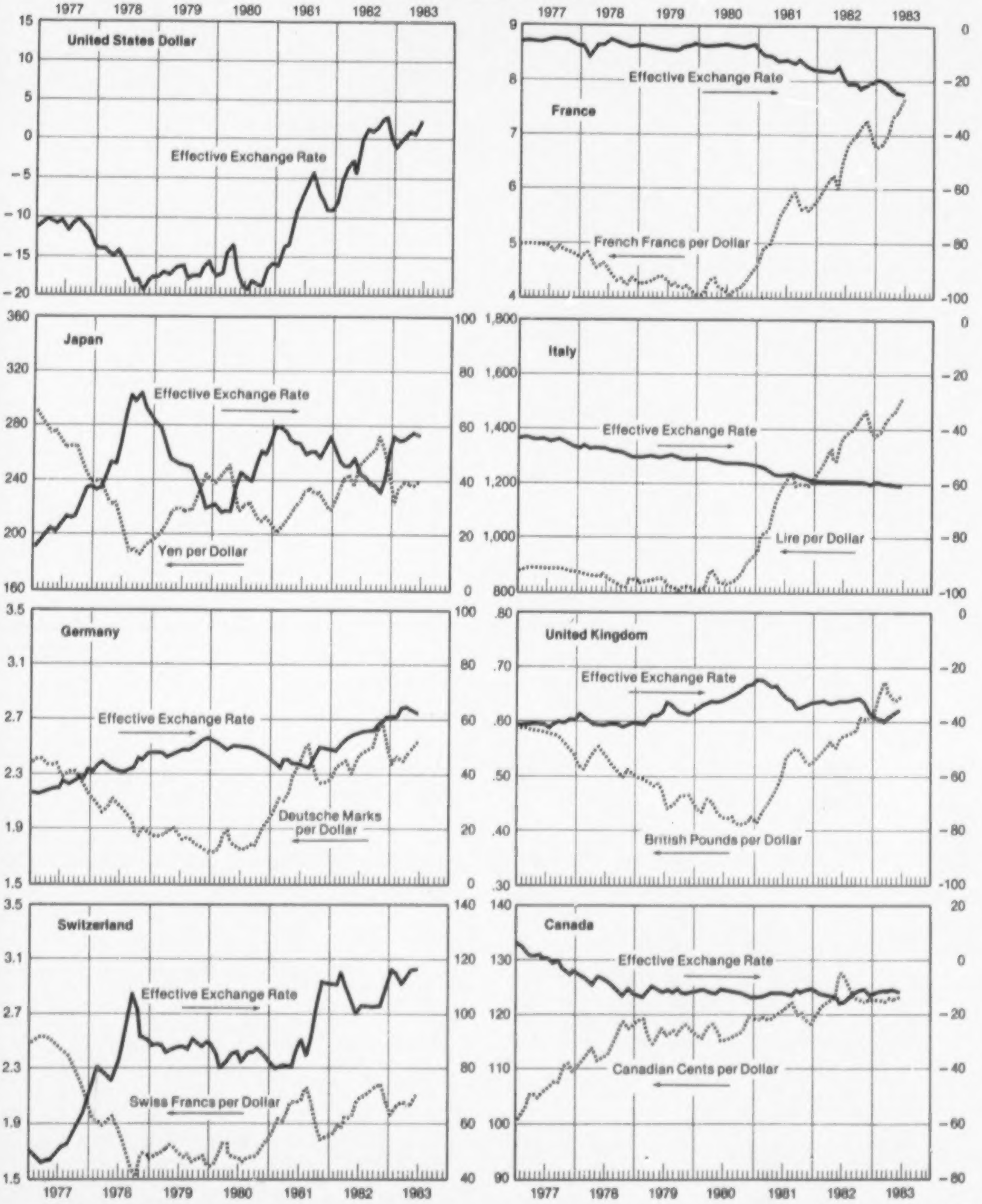
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies, weighted according to the average bilateral manufactures trade of 1976. Changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

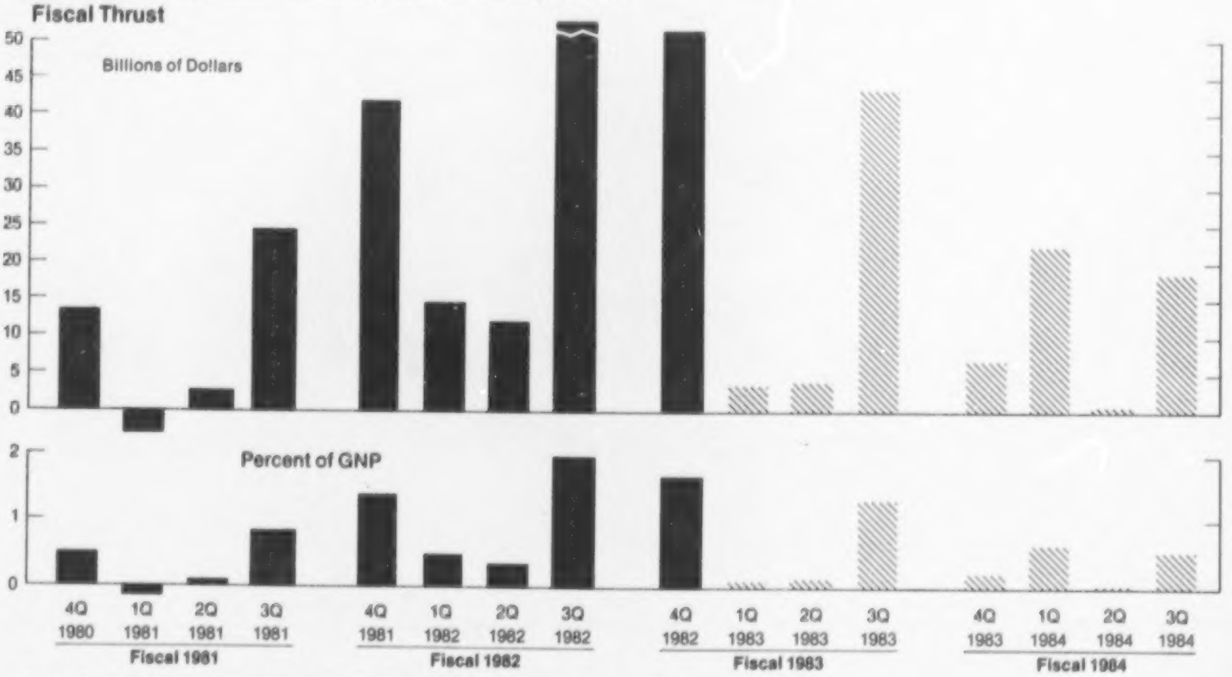
Source: Morgan Guaranty Trust

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

	Fiscal 1982	Fiscal 1983		Fiscal 1984		
	Actual *(10/26/82)*	*President's Proposal* *(1/31/83)*	*Congressional Estimate* *(9/1/82)*	*Current Services* *(1/31/83)*	*President's Proposal* *(1/31/83)*	*Congressional Estimate* *(6/20/83)*
Receipts	**$617.8**	**$597.5**	**$633.0**	**$648.8**	**$659.7**	**$679.6**
Outlays	**728.4**	**805.2**	**788.0**	**880.3**	**848.5**	**849.5**
Deficit	**−110.6**	**−207.7**	**−155.0**	**−231.5**	**−188.8**	**−169.9**
Receipts by source	**617.8**	**597.5**	**633.0**	**648.8**	**659.7**	**679.6**
Individual income taxes	298.1	285.2	298.0	295.8	295.6	
Corporate income taxes	49.2	35.3	47.0	51.9	51.8	
Social insurance	201.1	210.3	217.0	231.7	242.9	242.3
Other receipts	69.4	66.7	71.0	69.4	69.4	
Outlays by function	**728.4**	**805.2**	**788.0**	**880.3**	**848.5**	**849.5**
Income security	248.8	262.5	270.0	289.7	282.4	278.8
National defense	187.4	214.8	216.0	253.7	245.3	240.0
Health	74.0	82.4	79.0	92.9	90.6	92.6
Veterans' benefits	24.0	24.4	24.0	26.1	25.7	25.5
Education and manpower	25.4	26.7	27.0	27.1	25.3	28.4
Transportation	20.6	21.9	20.0	26.1	25.1	26.0
International affairs	10.0	11.9	13.2	12.8	13.2	13.0
Agriculture	14.8	21.1	15.0	15.3	12.1	11.5
Natural resources and environment	13.1	12.1	11.0	11.2	9.8	12.5
General science	7.1	7.8	8.0	8.1	8.2	8.3
Community development	7.4	7.4	8.0	7.2	7.0	8.1
Revenue sharing	6.2	6.4	6.0	7.2	7.0	7.2
General government	4.8	5.8	5.0	5.9	6.0	5.6
Justice	4.6	5.3	5.0	5.5	5.5	5.9
Energy	4.6	4.5	5.0	4.1	3.3	4.3
Commerce and housing credit	3.8	1.9	2.0	2.1	0.4	2.3
Interest	100.8	88.9	115.0	105.2	103.2	97.1
Allowances	—	—	−3.0	1.9	0.9	0.8
Undistributed offsetting receipts	−29.3	−20.4	−36.0	−21.6	−22.8	−18.1

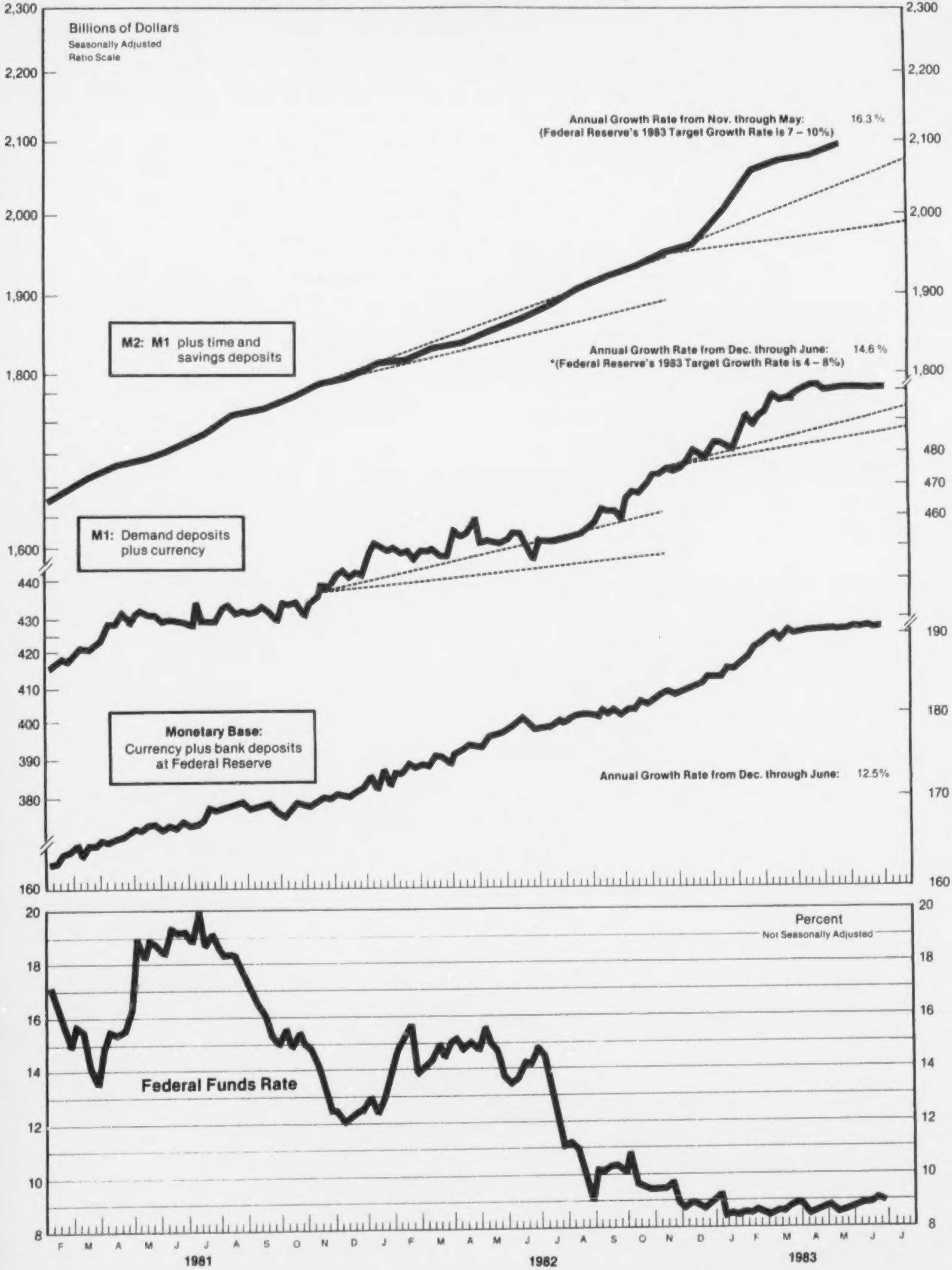
Sources: Office of Management and Budget; Congressional Budget Office.

Fiscal Thrust



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets



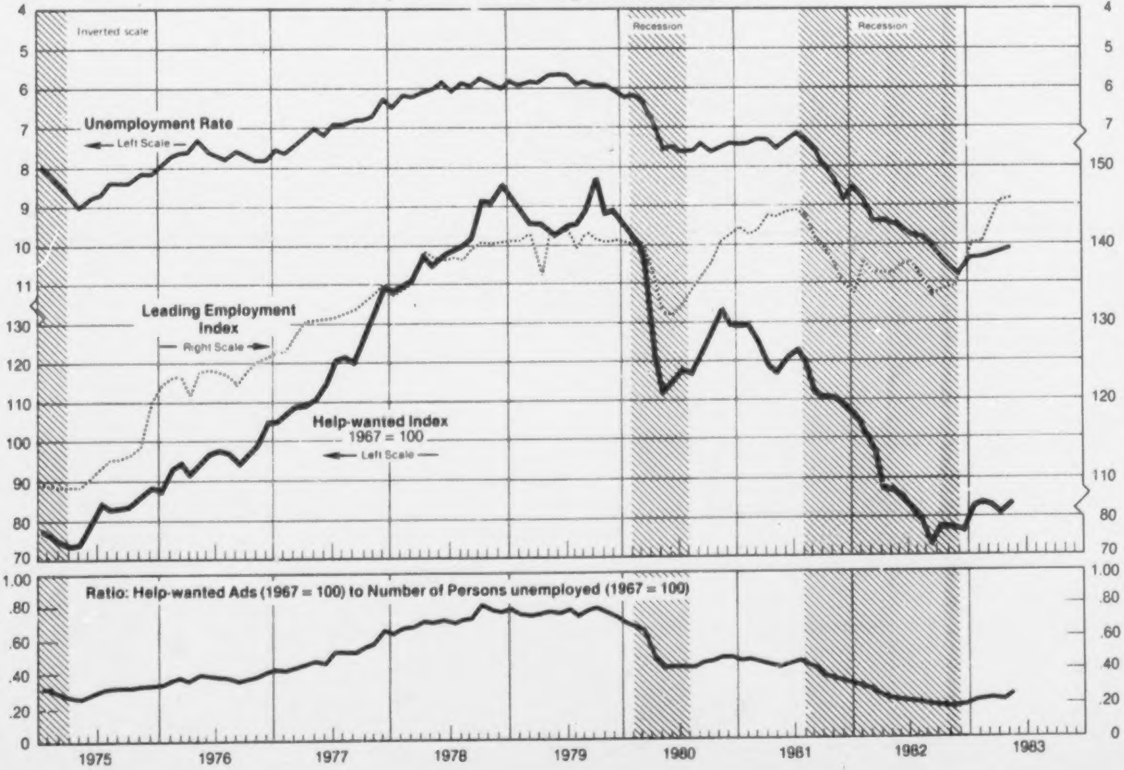
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1983			1982
	May	Apr.	Mar.	May
Total Index 51 papers	88	81	83	87
New England	94	88	89	86
Boston	107	99	103	95
Hartford	92	90	81	90
Providence	53	49	51	48
Middle Atlantic	45	42	43	47
Albany	77	71	78	76
Allentown	87	110	87	85
New York	43	39	39	43
Philadelphia	38	35	37	40
Pittsburgh	47	41	45	51
Rochester	43	41	45	58
Syracuse	58	54	58	66
East North Central	46	42	44	47
Chicago	44	39	42	45
Cincinnati	66	64	67	61
Cleveland	36	34	35	43
Columbus	69	66	72	70
Dayton	46	43	45	46
Detroit	35	32	35	35
Gary	86	78	85	108
Indianapolis	56	52	40	55
Milwaukee	32	30	33	33
Toledo	62	62	62	63
West North Central	50	45	46	47
Kansas City	69	61	64	64
Minneapolis	38	32	34	35
Omaha	85	78	83	78
St. Louis	42	39	37	40
South Atlantic	104	96	98	86
Atlanta	168	156	148	134
Baltimore	79	67	65	64
Charlotte	86	80	85	78
Jacksonville	157	141	142	116
Miami	64	66	72	64
Richmond	66	59	62	55
Washington, D.C.	103	95	102	85
East South Central	84	86	86	90
Birmingham	97	87	90	93
Knoxville	130	132	139	193
Louisville	45	42	50	49
Memphis	80	71	73	81
Nashville	95	128	110	87
West South Central	193	184	188	232
Dallas	242	224	224	209
Houston	242	239	250	252
New Orleans	112	108	105	131
Oklahoma City	124	122	122	193
San Antonio	154	137	145	150
Tulsa	108	102	105	154
Mountain	193	151	167	166
Denver	122	117	134	122
Phoenix	290	204	212	203
Salt Lake City	191	143	166	199
Pacific	133	123	125	129
Los Angeles	101	92	100	103
Sacramento	213	198	201	205
San Bernardino	101	112	101	94
San Diego	239	249	243	215
San Francisco	150	126	120	146
Seattle	158	150	146	141
Percentage of papers with rising volume	86%	24%	39%	51%
Unemployment rate	10.1%	10.2%	10.3%	9.4%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1981	70.0	63.5	71.8	75.0	79.9	79.6	78.6	78.6	70.4	67.4	61.6	59.4
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0r	84.9p						

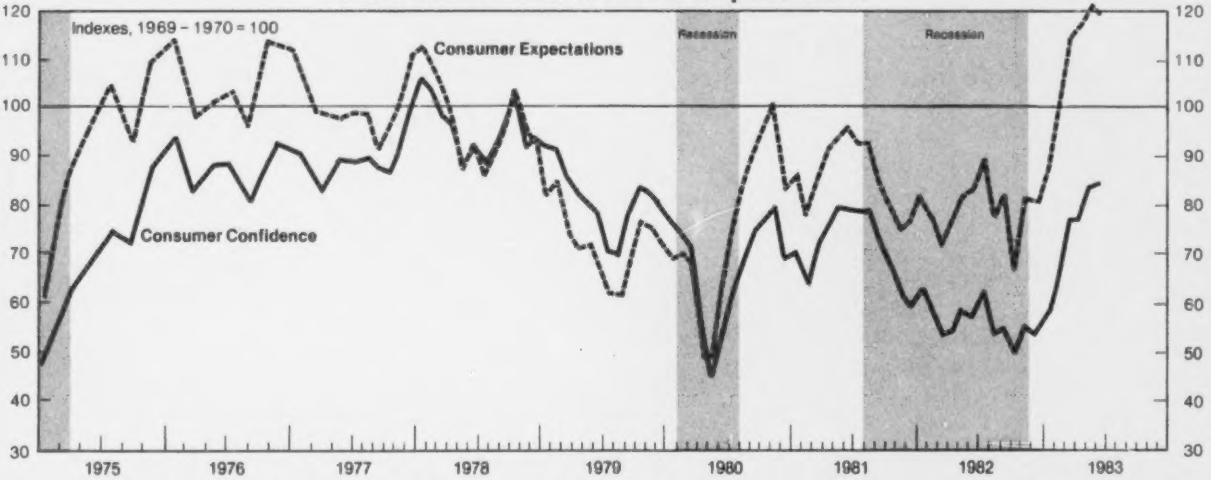
Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1981	87.5	90.5	98.0	85.9	84.8	89.5	78.7	96.7	90.3	86.2	89.8	99.2
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2r	103.6p						

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

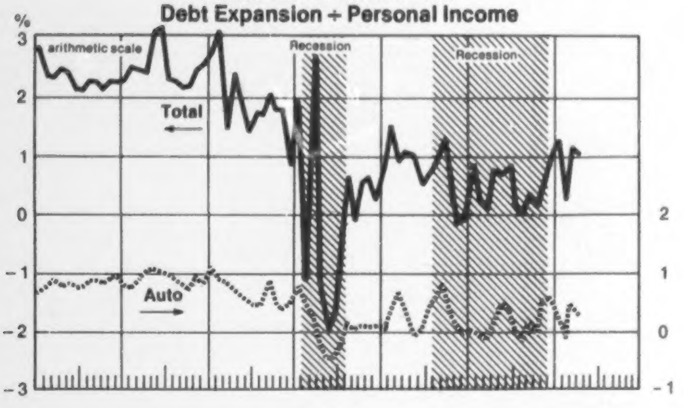
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

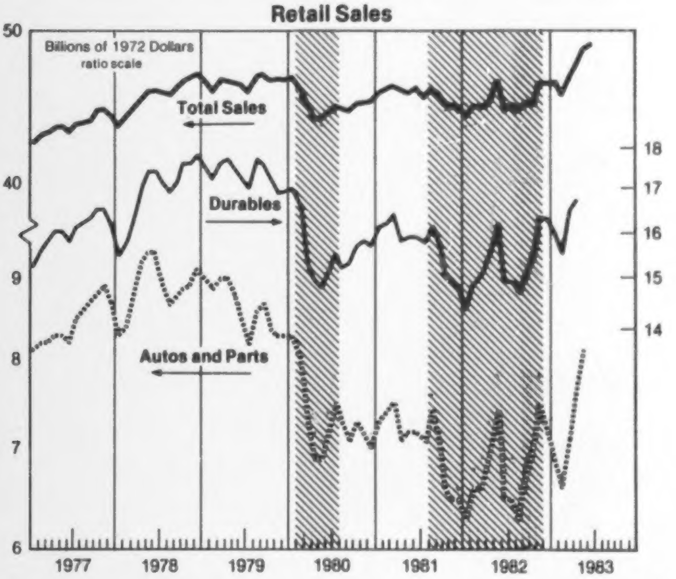
Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin.*

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



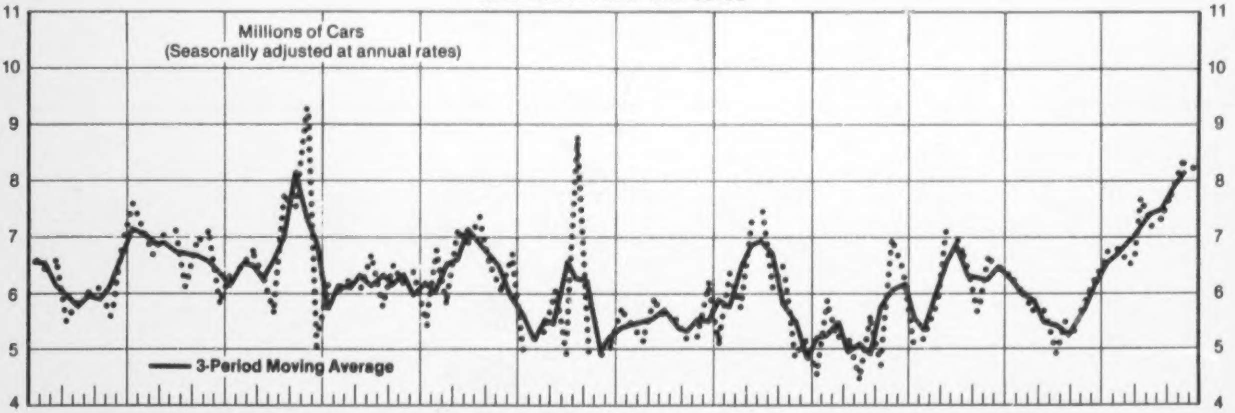
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

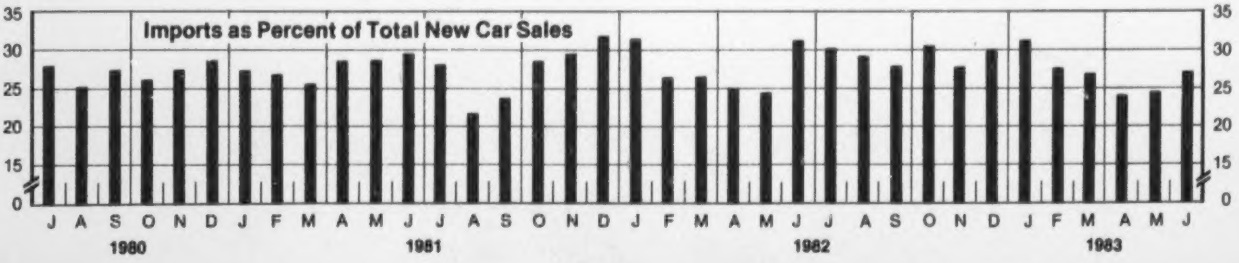
Millions, Seasonally Adjusted at Annual Rate

Periods		1980	1981	1982	1983
January:	1-10	7.87	6.27	5.68	6.34
	11-20	7.08	6.44	5.43	6.08
	21-31	9.17	6.74	5.17	5.69
February:	1-10	6.88	6.30	5.88	5.68
	11-20	8.28	5.65	5.61	4.93
	21-28(29)	6.36	7.70	5.54	5.55
March:	1-10	6.98	7.55	5.18	5.32
	11-20	7.18	9.29	5.24	5.62
	21-31	6.12	5.02	6.16	6.22
April:	1-10	7.02	6.18	5.11	6.76
	11-20	5.94	6.01	6.38	6.77
	21-30	5.90	6.22	5.77	6.52
May:	1-10	5.78	6.09	7.26	7.68
	11-20	6.10	6.84	7.47	7.25
	21-31	5.17	5.76	6.06	7.32
June:	1-10	5.95	6.50	6.51	7.83
	11-20	6.78	6.18	4.83	8.37
	21-30	6.74	6.35	5.17	8.25
July:	1-10	6.60	5.45	4.54	6.60
	11-20	6.41	6.78	5.88	
	21-31	6.59	5.80	5.22	
August:	1-10	5.44	7.08	5.18	
	11-20	5.81	6.91	4.48	
	21-31	6.00	7.38	5.58	
September:	1-10	6.05	6.57	4.70	
	11-20	5.58	6.09	6.95	
	21-30	6.74	6.67	6.49	
October:	1-10	7.60	4.98	5.09	
	11-20	7.09	5.18	5.16	
	21-31	6.49	5.32	5.68	
November:	1-10	7.03	6.05	7.10	
	11-20	7.10	4.93	6.94	
	21-30	6.11	8.75	6.49	
December:	1-10	6.88	4.98	5.64	
	11-20	7.08	4.86	6.62	
	21-31	5.81	5.03	6.46	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales





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STATISTICAL BULLETIN

Volume 16, No. 8, August, 1983

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The Conference Board

COMMENT

Until the last few months, the *Economic Forecasts* has been saying that the recovery was bound to be relatively modest. To expect it to develop more vigorously in the presence of very high real interest rates (interest rate in relation to inflation rate) would have been unjustified. As late as May, the median of the *Economic Forecasts* for real GNP growth in the second quarter was a seasonally adjusted 4.4% annual rate. By June, it began to dawn on economy-watchers that the underlying strength of the system, and most specifically the amount of pent-up consumer demand, was being seriously underestimated. The models began to reflect major upward revisions in growth prospects. With the release of a new batch of economic reports in early July, it was clear that a strong consumer-driven recovery was under way. The forecasters rushed to raise second-quarter growth estimates but were quick to point out that the torrid pace of the second quarter would give way to something less frenzied in the third quarter: The Federal Government's budget was still imbalanced, interest rates remained very high, and a very strong dollar was depressing our overseas markets.

In mid-July came the announcement that real GNP grew at an 8.7% annual rate in the second quarter—faster than even the revised estimates of only a few weeks earlier. Furthermore, the report showed that inventory liquidation continued in the presence of a very strong rebound in final sales, so that inventory/sales ratios continued to fall sharply through June. Some restocking of what must by now be bare shelves seems inevitable. Consequently, all previous estimates of real growth in the third quarter were torn up. The current forecasts suggest that the torrid pace of the second quarter is, in fact, being sustained in the third quarter. As shown in the accompanying chart, the consensus of the *Economic Forecasts* is now that real output will rise by 5.7% from the fourth quarter of 1982 to the fourth quarter of 1983—a full percent higher than estimates made only last month and two percentage points higher than the estimates made at the beginning of this year.

The course of this recovery has been a surprise to many; it has continuously been more robust than even the most optimistic expectations. It would be very surprising, however, if the economy were to maintain such a rapid pace of activity, given recent hikes in short-term interest rates. The higher rates are sure to have an effect on interest-sensitive sectors such as home construction and automobile sales. Even the degree of inventory buildup is likely to be limited to some extent by higher carrying charges. The surge in economic activity, then, has certainly matched—if not exceeded—that of a good old-fashioned recovery in the second and third quarters. Beyond that, however, growth can be expected to slow to a more moderate, but hopefully sustainable, pace. As shown in the accompanying chart, the consensus of the *Economic Forecasts* is that real GNP will rise by 4.3% from the fourth quarter of 1983 to the fourth quarter of 1984.

The driving force of this recovery is the renewed vigor of consumer demand. Consumers are more confident about short-term prospects for growth and employment and have a little more real spending power. The Conference Board's *Consumer Confidence Index* stood at 84.9 (1969-1970 = 100) in June, equal to the level at the end of 1979, just before the back-to-back recessions set in. The July reading was virtually unchanged. The *Expectations Index* (a component of the overall series) reached a peak of 121.2 in May and then subsided to 115.8 in July. Although some of the unbridled enthusiasm may have begun to dissipate, consumers remain convinced that the economy is on the mend and the bleak headlines of yesterday are history.

Personal income, adjusted for inflation, began rising last March, and by July was a little more than 2% higher than the February trough. The surge in consumer demand was much stronger than that. The data show that the personal saving rate fell sharply in the second quarter and that net consumer borrowing has rebounded very quickly. The ratio of *Consumer Installment Debt Expansion to Personal Income* has risen from a scant 0.2% last October to almost 2% in June. Draining savings and buying on credit certainly indicate the degree of consumer confidence in the continuance of recovery. Faster gains in real spending power, however, are the necessary ingredient for a sustained surge in consumer demand.

Retail sales, adjusted for inflation, began to expand last March and were up almost 7% by June. This rising sales trend seemed to taper off in July. Given the high level of consumer loan rates, buying on credit has probably become less pronounced and gains in sales are likely to more closely approximate increases in real spending power as the Summer ends.

Strong consumer demand and rebuilding of inventory led to a substantial rise in industrial production in July.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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The Conference Board of Canada
25 McArthur Road
Ottawa, Ontario, K1L-6R3, Canada

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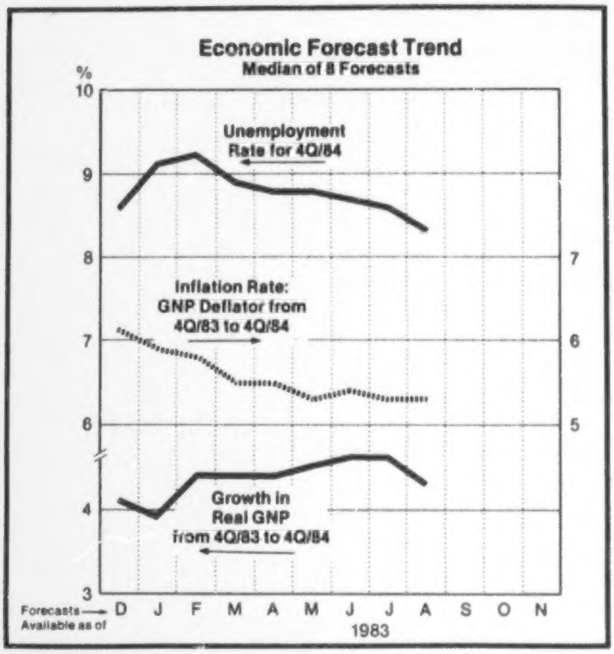
845 Third Avenue
New York, New York 10022

The Conference Board, Inc.
Avenue Louise, 207 Bte 5
B-1050 Brussels, Belgium



That was the sixth month in the last eight in which the increase exceeded 1 percent. Operating rates have also gone up sharply in recent months. The Federal Reserve recently reestimated the capacity utilization series and found that a portion of capacity has consistently been reported as unused when, in fact, it probably was not usable. Consequently, the revised series shows operating rates to have been a few points higher than earlier estimates, and this suggests that investment in modernization and expansion of plant and equipment is probably of a little more immediate concern than had been thought before now.

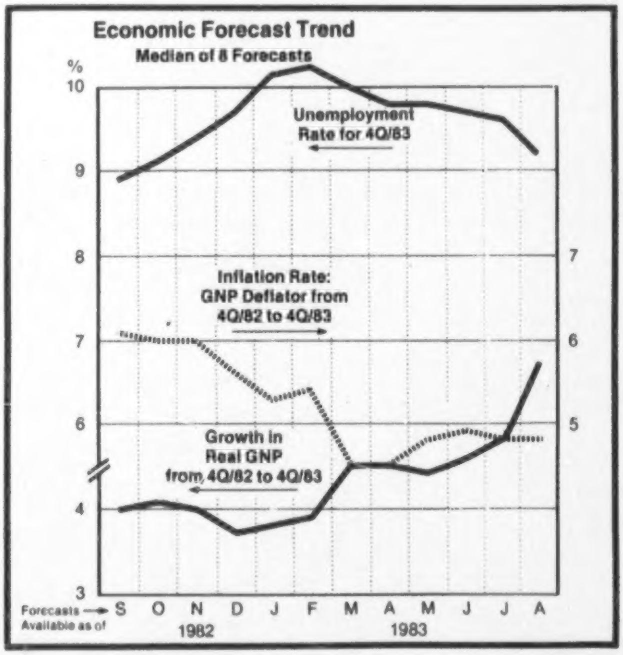
The *Key Determinants of Profit Margins* chart shows that profitability increased in the first quarter and it undoubtedly improved even more in the second quarter. An improving cash flow will make it easier to finance capital investment, although, it is perhaps still too early in the recovery to expect much revival of investment. The Conference Board's *Capital Appropriations and Expenditures* survey showed that approval of new spending plans fell in the first quarter, and it is not surprising that early returns indicate only a slight gain in the second quarter.

Even though this recovery heated up much more quickly than anyone expected it to, there are no signs that inflation is also quickly regaining momentum. Raw industrial material prices were only ½% higher in June than three months earlier and the producer price index, which had been very quiet in the first six months of the year, actually declined in July. While the *Economic Forecasts* have exhibited repeated upward revisions in growth estimates, the accompanying charts show almost no change in the inflation forecasts.

The rapid pace of the recovery is allowing for substantial improvement in labor-market conditions. The Conference Board's *Help-wanted Index* jumped from 81 (1967 = 100) in April to 92 in June, and early indications are that another sizeable gain occurred in July. Rising demand for output is now carrying through to significant increases in demand for labor input, and the national unemployment rate fell to 9.5% in July. Even as late as two months earlier, the expectation was that the unemployment rate would not improve to that level until some time in the first quarter of next year. The accompanying charts now show that the *Economic Forecasts* anticipate the unemployment rate to reach 9.2% by the fourth quarter of this year, and 8.3% by the fourth quarter of 1984.

High and rising domestic interest rates have helped to maintain a very strong dollar in international currency markets. The trade-weighted average *Exchange Rates* of the dollar against other major currencies had reached 2.8% above the June, 1970, parities last November, but then returned to -1.3% below those parities by January. It has since climbed to 3.2% above the parities in June. That is higher than the dollar has gone since floating rates went into effect, resulting in some U.S. Treasury intervention in exchange-market activity—something that the Administration had wanted to avoid.

Ken Goldstein
August 15, 1983.

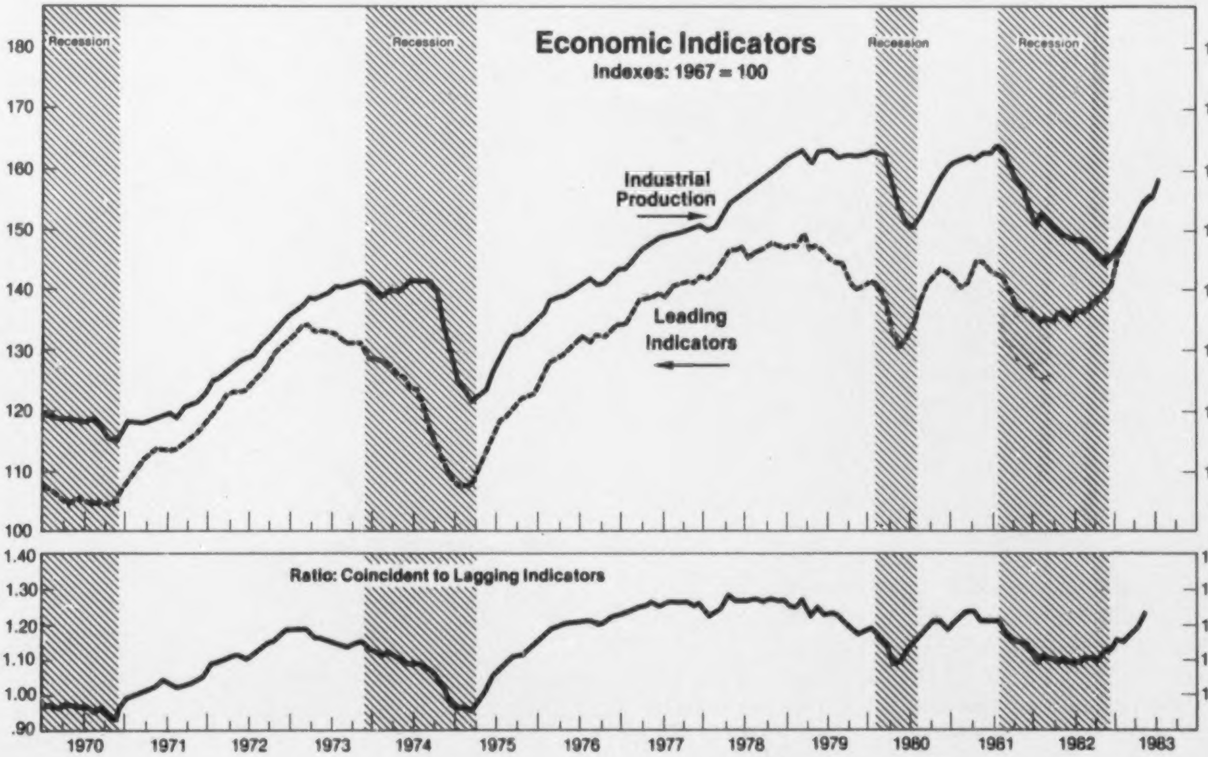


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	June	X			+ 3.6%	+ 15.1%
Capital Investment Commitments						
*Contracts & orders, plant & equipment (deflated)	June	X			+ 8.8%	+ 21.7%
New orders, nondefense capital goods (deflated)	June	X			+ 11.6%	+ 25.6%
*Net business formation	June	X			+ 3.3%	+ 3.7%
*Housing permits	June	X			+ 20.0%	+ 90.6%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	June	X			+ 4.5%	+ 9.8%
*Change in inventory, on hand & order (deflated)	June	X			+ 6.3%	+ 11.3%
Purchasing agents' buying policy	July		X		+ 3 %	+ 4 %
*Vendor performance, reported slower deliveries	June		X		+ 2 %	+ 14 %
Industrial raw materials prices	July		X		0.5%	7.6%
*Change in sensitive prices	June			X	— 1.0%	+ 1.8%
Sensitive Financial Flows						
*Money balance (M2 deflated)	June	X			+ 0.8%	+ 10.6%
Change in business loans	June		X		— 1.5%	—22.2%
*Change in credit outstanding	May			X	— 6.5%	— 9.9%
Change in consumer installment debt	May	X			+ 23.5%	+ 14.3%
Profitability						
Total corporate profits, after tax (deflated)	1st Q			X	— 4.3%	— 4.6%
*Common stock prices	July	X			+ 5.9%	+ 52.6%
Marginal Employment Adjustments						
*Average workweek, mfg.	July	X			+ 0.2hr.	+ 1.2hr.
*Initial unemployment claims (inverted)	July	X			+ 18.1%	+ 27.8%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) 1977, p. 15.

*These twelve series make up the Composite Leading Index charted below.



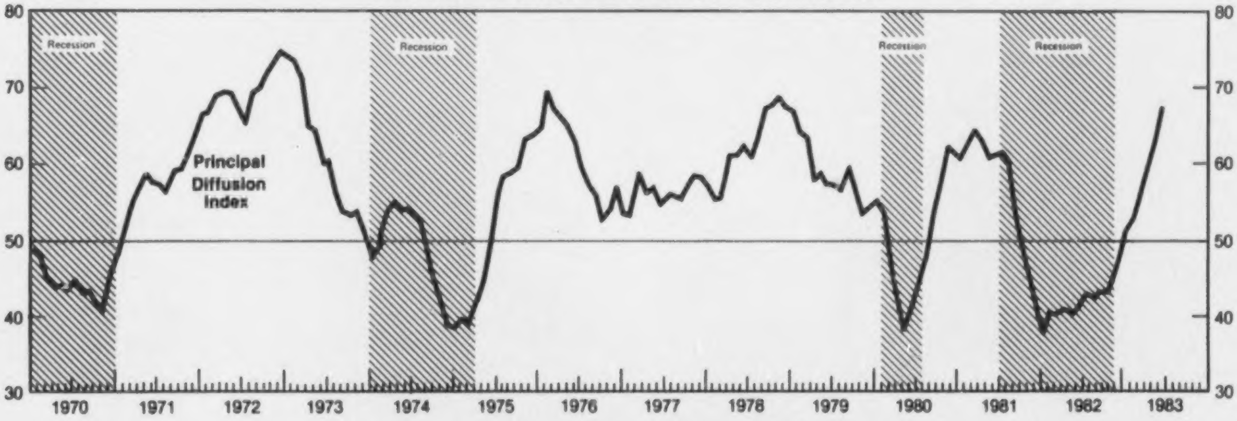
CONFERENCE BOARD DIFFUSION INDEXES

	1982	1983			
DIFFUSION INDEXES	June	Mar.	Apr.	May	June(e)
Principal Diffusion Index	41.7	55.4r	58.8r	62.7r	67.2
Auxiliary Diffusion Index	51.7	62.5r	61.1r	62.5r	64.7
Industrial Group	30.5	52.8r	57.5r	61.7r	67.4
Nonindustrial Group	52.9	58.0r	60.1r	63.7r	66.9
Sense of Diffusion	0	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	32.5	55.6	58.5r	61.1r	67.9
Labor	21.5	49.6	54.2	58.2	66.2
Miscellaneous	50.0	56.4r	64.1r	71.2r	69.9
Nonindustrial Subgroups					
Prices	41.7	67.3	73.7	71.8	70.5
Consumer	65.0	66.7r	66.7r	72.2	77.4
Building	41.7	42.3	43.6	51.9r	51.9
Miscellaneous	56.0	53.6r	55.6r	57.5r	64.1

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1980	*1981*				*1982*				*1983*	
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)										
Measure of Business Confidence	63	58	61	57	43	47	52	55	60	70	76
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	59	50	57	48	26	23	30	38	44	65	76
2. Expectations for Economy, Six Months Ahead	67	63	64	63	51	59	64	65	70	76	78
3. Expectations for Own Industry, Six Months Ahead	63	61	61	60	52	58	61	61	65	70	72

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1981		1982				1983	Percent Change From Previous Year		
								1981	1982	1983
	III	IV	I	II	III	IVr	Ip	Actual	Actual	Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	26.938	22.992	25.767	19.331	18.482	21.043	20.965	2	−18	6
Capital expenditures	26.217	26.174	26.924	25.734	23.926	22.643	19.736	15	− 3	− 5
Change in appropriations backlog*	+ 1.164	−4.602	−1.629	−8.289	−8.527	−3.903	−0.719			
Durable Goods										
New appropriations	11.549	9.532	8.446	7.308	7.543	8.211	7.968	−5	−24	4
Capital expenditures	11.079	10.965	11.161	10.663	9.629	8.817	8.086	4	− 7	−17
Change in appropriations backlog*	+ 0.964	−1.953	−2.994	−4.165	−4.267	−1.307	−0.854			
Nondurable Goods										
New appropriations	15.389	13.460	17.321	12.023	10.939	12.832	12.997	7	−14	6
Capital expenditures	15.138	15.209	15.763	15.071	14.297	13.826	11.650	24	0	3
Change in appropriations backlog*	+ 0.200	−2.649	+ 1.365	−4.124	−4.260	−2.596	+ 0.135			
ELECTRIC & GAS UTILITIES										
New appropriations	9.678	8.916	6.939	8.303	10.490	10.778	6.944			
Capital expenditures	8.491	8.424	8.019	8.804	8.925	9.353	8.977			
Change in appropriations backlog*	−8.338	−3.677	−8.995	−1.871	+ 0.713	−4.559	−5.618			

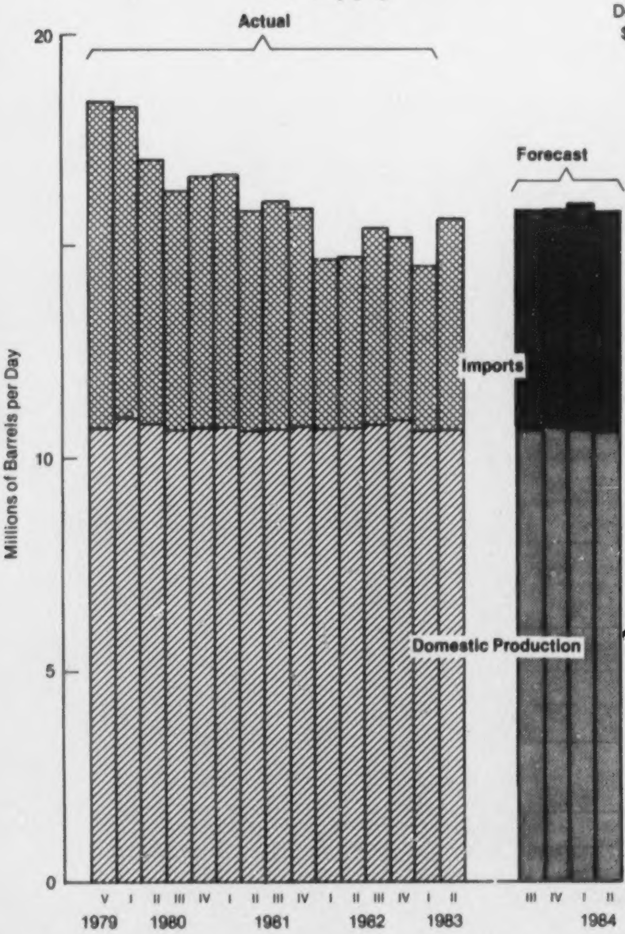
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

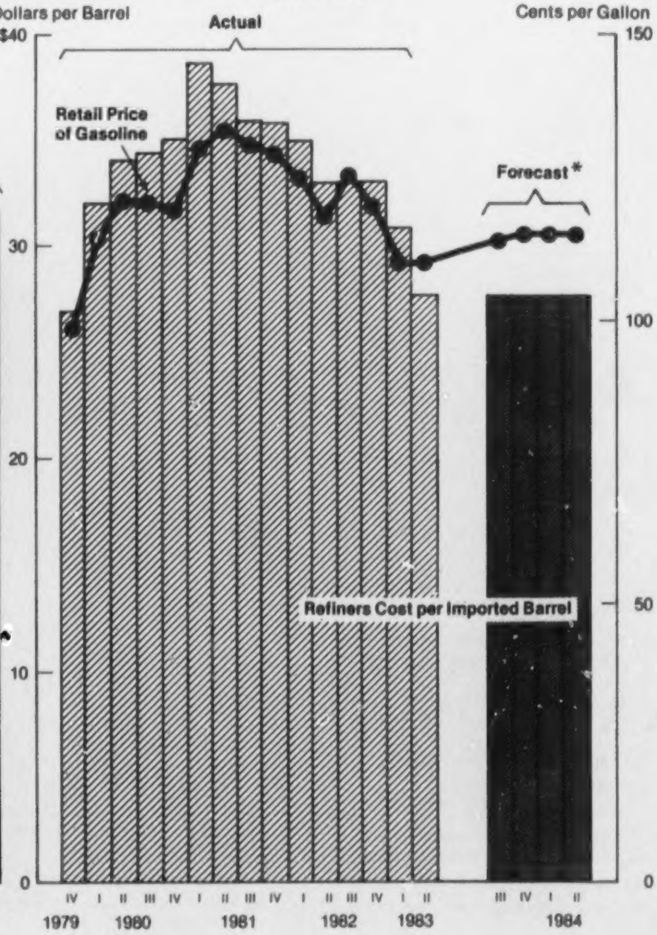
* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply

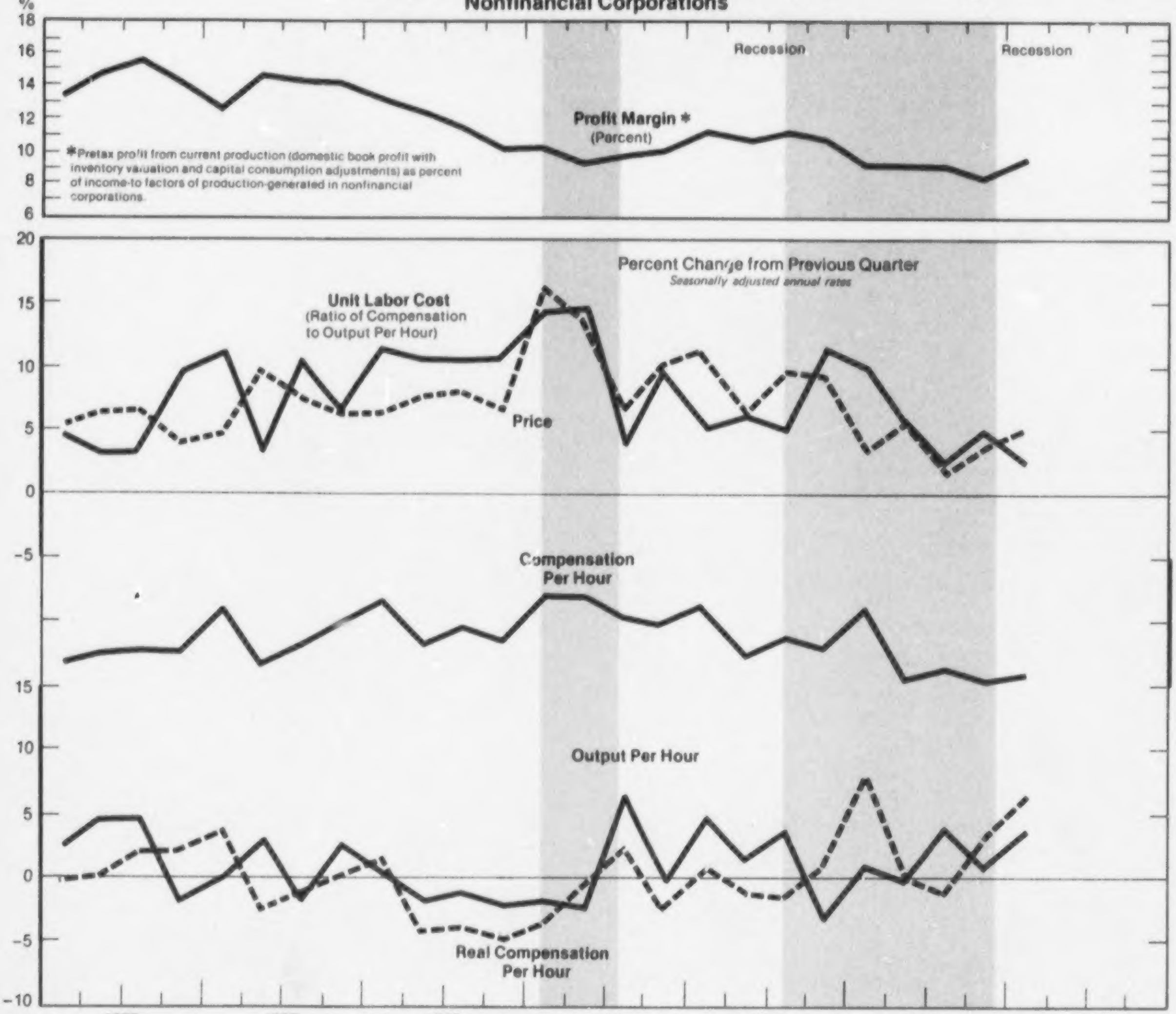


Oil Price



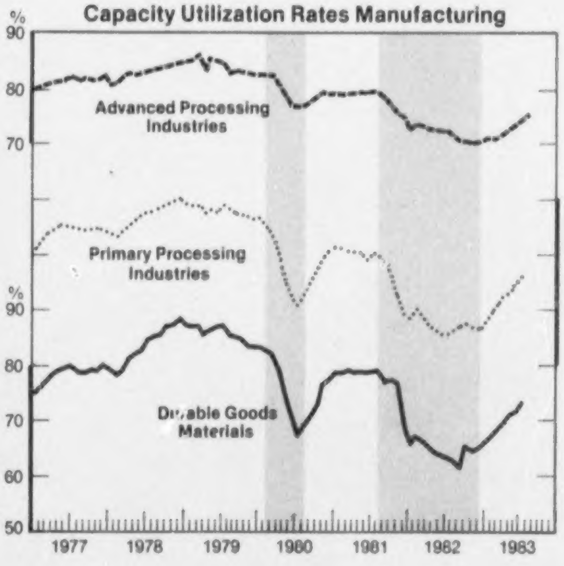
*Source: of Forecast is The Energy Information Administration; Department of Energy.

Key Determinants of Profit Margin, Nonfinancial Corporations

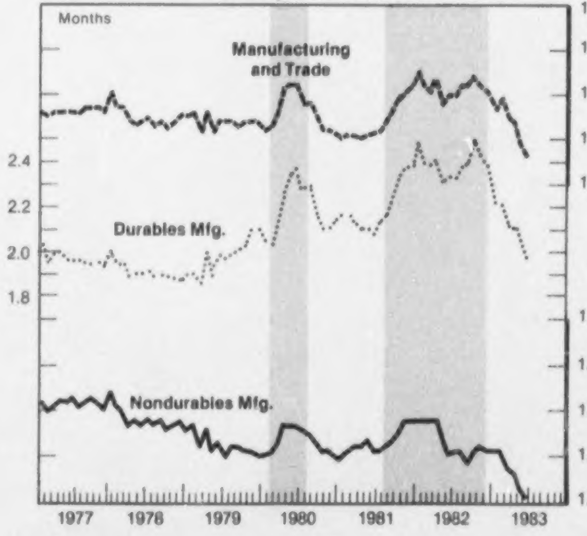


*Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income-to factors of production-generated in nonfinancial corporations.

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[1]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[1]		Georgia State University[1]	
Date of Forecast			*July, 1983*		*July, 1983*		*July, 1983*		*July, 1983*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1983**	**II**	**$3273.7**	**13.5%**	**$3273.7**	**13.5%**	**$3273.7**	**13.5%**	**$3273.7**	**13.5%**
Forecast		III	3360.0	11.0	3367.5	12.0	3335.3	7.7	3371.3	12.5
		IV	3435.0	9.2	3445.0	9.5	3404.4	8.5	3459.8	10.9
	1984	I	3510.6	9.1	3523.2	9.4	3487.6	10.1	3546.5	10.4
		II	3583.5	8.6	3611.7	10.4	3571.8	10.0	3625.1	9.2
		III	3656.9	8.4	3709.6	11.3	3654.7	9.6	3699.7	8.5
		IV	3737.8	9.1	3815.0	11.9	3747.7	10.6	3793.5	10.5
	1985	I	3812.4	8.2			3825.7	8.6	3876.0	9.0
		II	3892.1	8.6			3915.1	9.7	3958.9	8.8
		III	3973.9	8.7			4003.2	9.3		
	1983	Annual	3310.1	7.7	3314.4	7.9	3296.2	7.3	3319.1	8.0
	1984	Annual	3622.2	9.4	3664.9	10.6	3615.5	9.7	3666.2	10.5
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1983**	**II**	**$1521.4**	**8.7%**	**$1521.4**	**8.7%**	**$1521.4**	**8.7%**	**$1521.4**	**8.7%**
Forecast		III	1547.2	7.0	1548.6	7.3	1537.0	4.2	1549.3	7.5
		IV	1565.1	4.7	1565.5	4.4	1551.0	3.7	1570.0	5.5
	1984	I	1582.1	4.4	1579.8	3.7	1571.0	5.3	1588.4	4.8
		II	1597.4	3.9	1598.3	4.8	1591.0	5.2	1604.1	4.0
		III	1612.0	3.7	1619.6	5.4	1610.0	4.9	1616.6	3.2
		IV	1627.4	3.9	1642.7	5.8	1633.0	5.8	1633.7	4.3
	1985	I	1641.0	3.4			1649.0	4.0	1645.6	2.9
		II	1655.6	3.6			1666.0	4.2	1658.8	3.2
		III	1670.0	3.5			1682.0	3.9		
	1983	Annual	1531.0	3.1	1531.4	3.1	1524.9	2.7	1532.7	3.2
	1984	Annual	1604.7	4.8	1610.1	5.1	1601.3	5.0	1610.7	5.1
Gross National Product Deflator Index, 1972 = 100										
Actual	**1983**	**II**	**215.2**	**4.5%**	**215.2**	**4.5%**	**215.2**	**4.5%**	**215.2**	**4.5%**
Forecast		III	217.2	3.8	217.5	4.3	217.0	3.4	217.6	4.6
		IV	219.5	4.3	220.1	4.9	219.5	4.7	220.4	5.2
	1984	I	221.9	4.5	223.0	5.5	222.0	4.6	223.3	5.4
		II	224.3	4.5	226.0	5.4	224.5	4.6	226.0	5.0
		III	226.9	4.6	229.0	5.6	227.0	4.5	228.9	5.2
		IV	229.7	5.1	232.2	5.7	229.5	4.5	232.2	6.0
	1985	I	232.3	4.7			232.0	4.4	235.5	5.9
		II	235.1	4.8			235.0	5.3	238.7	5.4
		III	238.0	5.0			238.0	5.2		
	1983	Annual	216.2	4.5	216.4	4.6	216.1	4.5	216.5	4.6
	1984	Annual	225.7	4.4	227.6	5.2	225.7	4.5	227.6	5.1
Unemployment Rate										
Actual	**1983**	**II**	**10.1%**		**10.1%**		**10.1%**		**10.1%**	
Forecast		III	9.6		9.4		9.5		9.4	
		IV	9.1		9.1		9.3		9.1	
	1984	I	8.7		8.9		9.2		8.7	
		II	8.5		8.6		9.1		8.5	
		III	8.4		8.3		8.8		8.3	
		IV	8.2		8.1		8.5		8.1	
	1985	I	8.2				8.3		8.0	
		II	8.1				8.1		7.8	
		III	8.0				7.9			
	1983	Annual	9.8		9.8		9.8		9.8	
	1984	Annual	8.5		8.5		8.9		8.4	

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary second quarter data.

ECONOMIC FORECASTS (continued)

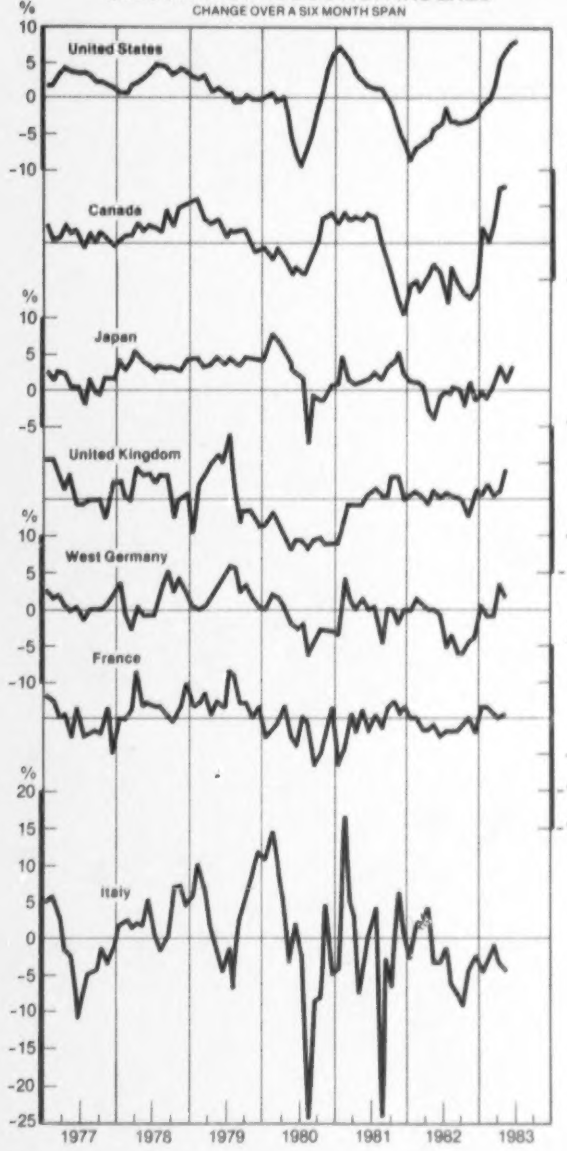
The Conference Board[1]		Chase Econometric Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
July, 1983		*July, 1983*		*July, 1983*		*July, 1983*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3273.7	13.5%	$3273.7	13.5%	$3273.7	13.5%	$3273.7	13.5%	II	1983	**Actual**
3376.0	13.1	3359.6	10.9	3359.5	10.9	3370.9	12.4	III		Forecast
3465.0	11.0	3434.4	9.2	3435.3	9.3	3469.8	12.3	IV		
3527.0	7.4	3506.9	8.7	3510.5	9.0	3563.0	11.2	I	1984	
3622.0	11.2	3595.0	10.4	3580.6	8.2	3648.1	9.9	II		
3720.0	11.3	3678.2	9.6	3650.1	8.0	3727.6	9.0	III		
3820.0	11.2	3769.4	10.3	3726.4	8.6	3814.7	9.7	IV		
		3855.7	9.5	3798.5	8.0	3891.0	8.2	I	1985	
		3944.8	9.6	3874.7	8.3	3974.5	8.9	II		
		4028.8	8.8	3951.8	8.2	4058.3	8.7	III		
3321.6	8.1	3309.8	7.7	3310.0	7.7	3321.5	8.1	Annual	1983	
3672.3	10.6	3637.4	8.9	3616.9	9.3	3688.4	11.0	Annual	1984	
								Gross National Product Billions of Constant (1972) Dollars		
$1521.4	8.7%	$1521.4	8.7%	$1521.4	8.7%	$1521.4	8.7%	II	1983	**Actual**
1547.7	7.1	1545.6	6.5	1546.7	6.8	1550.8	8.0	III		Forecast
1564.5	4.4	1561.1	4.1	1565.3	4.9	1575.5	6.5	IV		
1573.6	2.3	1577.1	4.2	1583.2	4.7	1596.2	5.4	I	1984	
1594.5	5.4	1594.8	4.6	1597.2	3.6	1611.4	3.9	II		
1615.1	5.3	1612.5	4.5	1610.7	3.4	1625.6	3.6	III		
1633.3	4.6	1629.6	4.3	1624.7	3.5	1638.4	3.2	IV		
		1643.2	3.4	1637.9	3.3	1646.1	1.9	I	1985	
		1656.6	3.3	1651.3	3.3	1655.4	2.3	II		
		1670.5	3.4	1664.1	3.1	1663.3	1.9	III		
1530.9	3.1	1529.6	3.0	1530.9	3.1	1534.5	3.3	Annual	1983	
1604.1	4.8	1603.5	4.8	1604.0	4.8	1617.9	5.4	Annual	1984	
								Gross National Product Deflator Index, 1972 = 100		
215.2	4.5%	215.2	4.5%	215.2	4.5%	215.2	4.5%	II	1983	**Actual**
218.1	5.6%	217.4	4.1	217.2	3.8	217.4	4.1	III		Forecast
221.5	6.3	220.0	4.9	219.5	4.2	220.2	5.4	IV		
224.1	4.9	222.4	4.4	221.7	4.2	223.2	5.5	I	1984	
227.2	5.5	225.4	5.6	224.2	4.6	226.4	5.8	II		
230.3	5.7	228.1	4.9	226.6	4.4	229.3	5.2	III		
233.9	6.3	231.3	5.7	229.4	4.9	232.8	6.3	IV		
		234.6	5.9	231.9	4.5	236.4	6.2	I	1985	
		238.1	6.1	234.6	4.8	240.1	6.4	II		
		241.2	5.2	237.5	4.9	244.0	6.7	III		
216.9	4.8	216.3	4.6	216.2	4.5	216.4	4.6	Annual	1983	
228.9	5.5	226.8	4.8	225.5	4.3	227.9	5.3	Annual	1984	
								Unemployment Rate		
10.1%		10.1%		10.1%		10.1%		II	1983	**Actual**
9.8		9.5		9.6		9.7		III		Forecast
9.5		9.3		9.1		9.5		IV		
9.5		9.1		8.7		9.3		I	1984	
9.3		8.8		8.5		9.1		II		
9.0		8.6		8.4		8.9		III		
8.8		8.3		8.3		8.7		IV		
		8.2		8.2		8.5		I	1985	
		8.0		8.1		8.3		II		
		7.9		8.1		8.1		III		
10.0		9.8		9.8		9.9		Annual	1983	
9.2		8.7		8.5		9.0		Annual	1984	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900

SELECTED INTERNATIONAL COMPARISONS

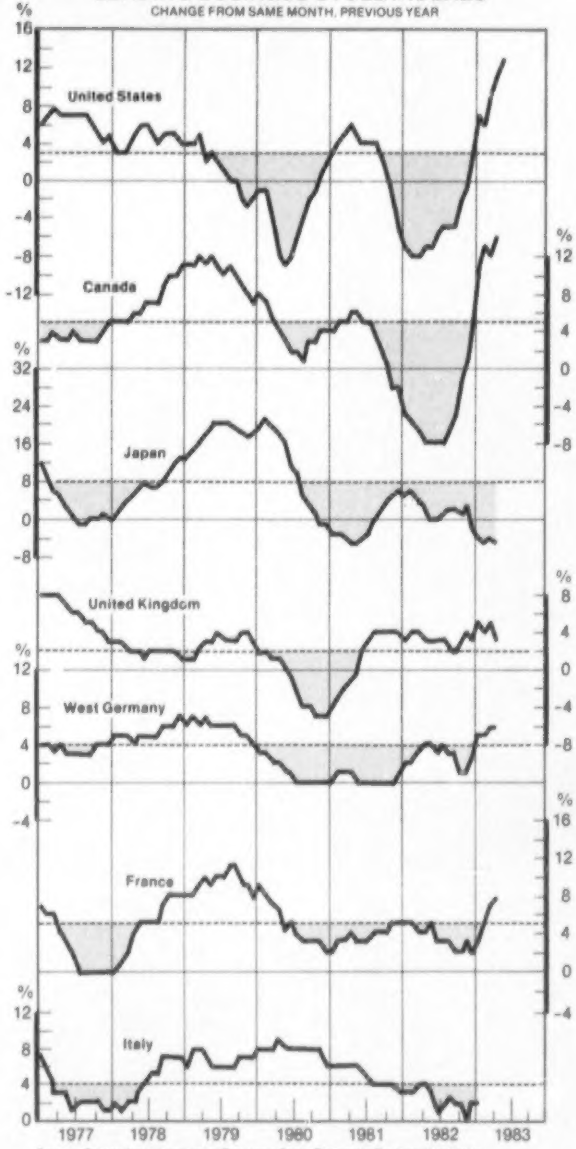
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



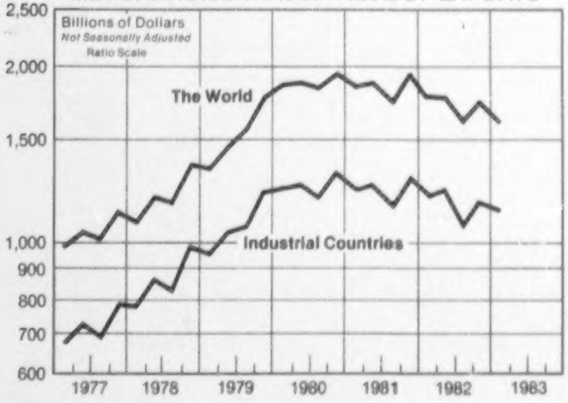
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM SAME MONTH, PREVIOUS YEAR

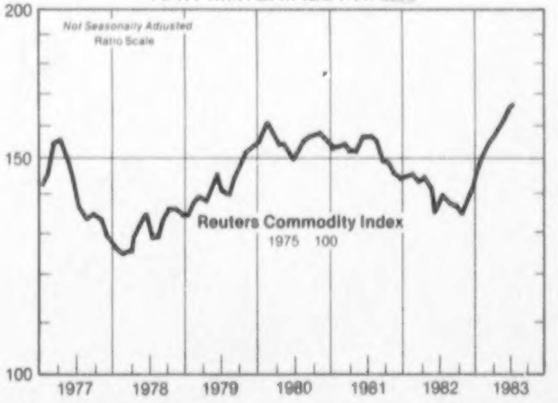


Source: Center for International Business Cycle Research, Rutgers University

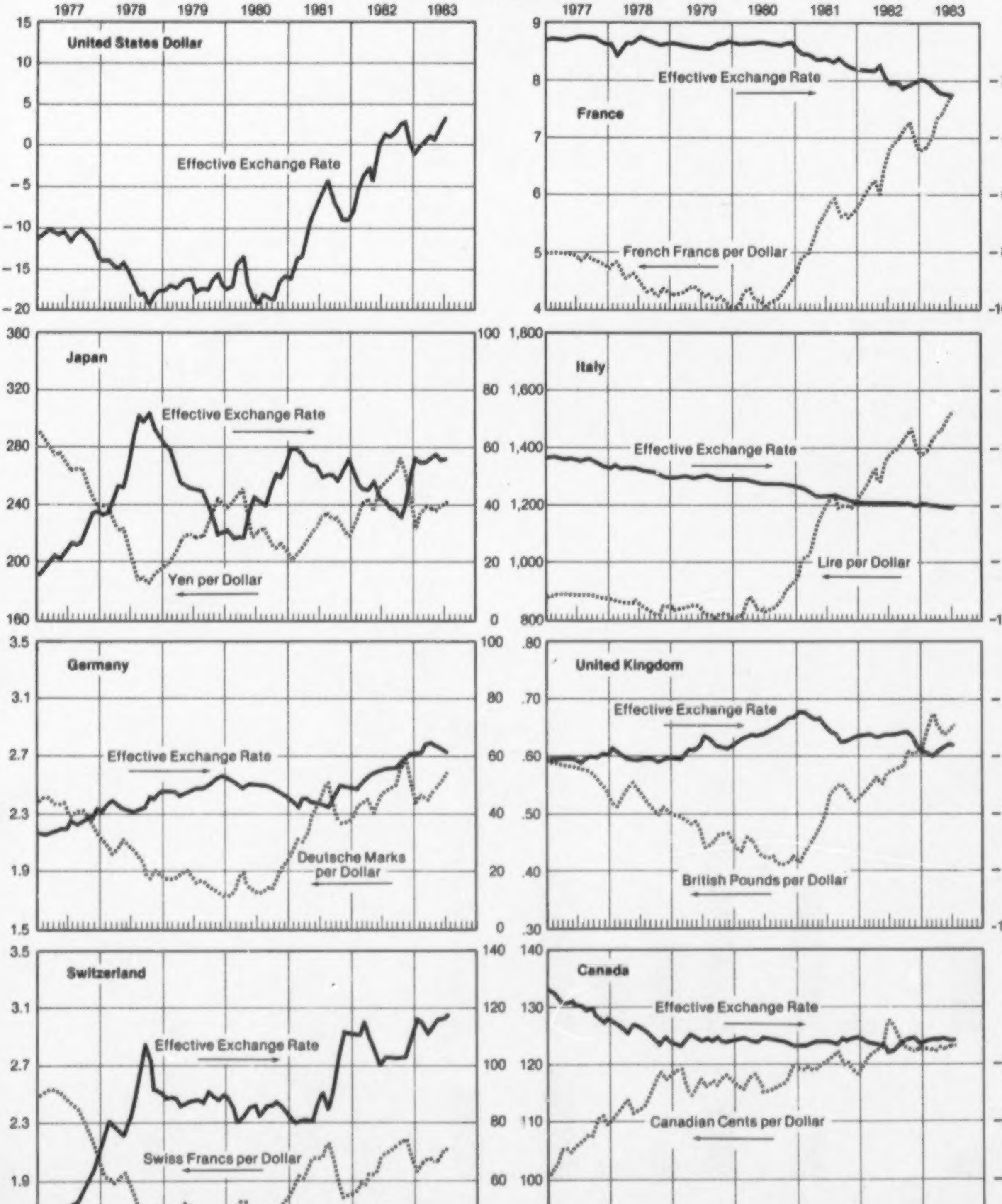
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



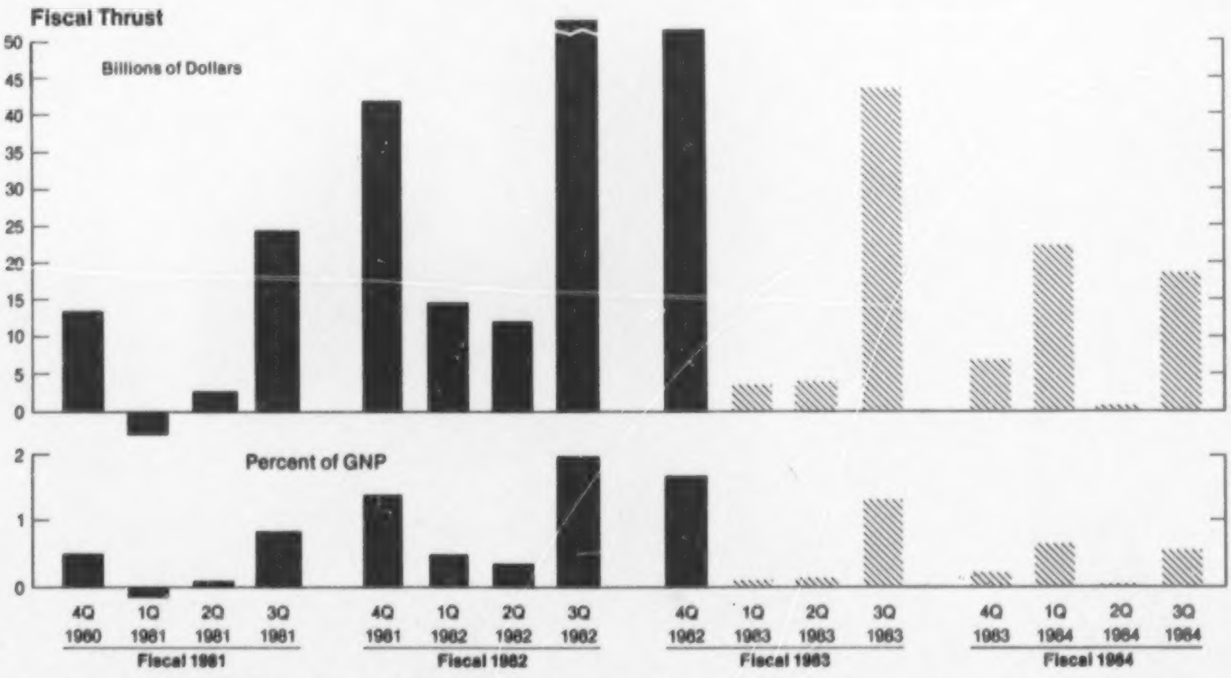
Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies, weighted according to the average bilateral manufactures trade of 1976. Changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

Source: Morgan Guaranty Trust

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

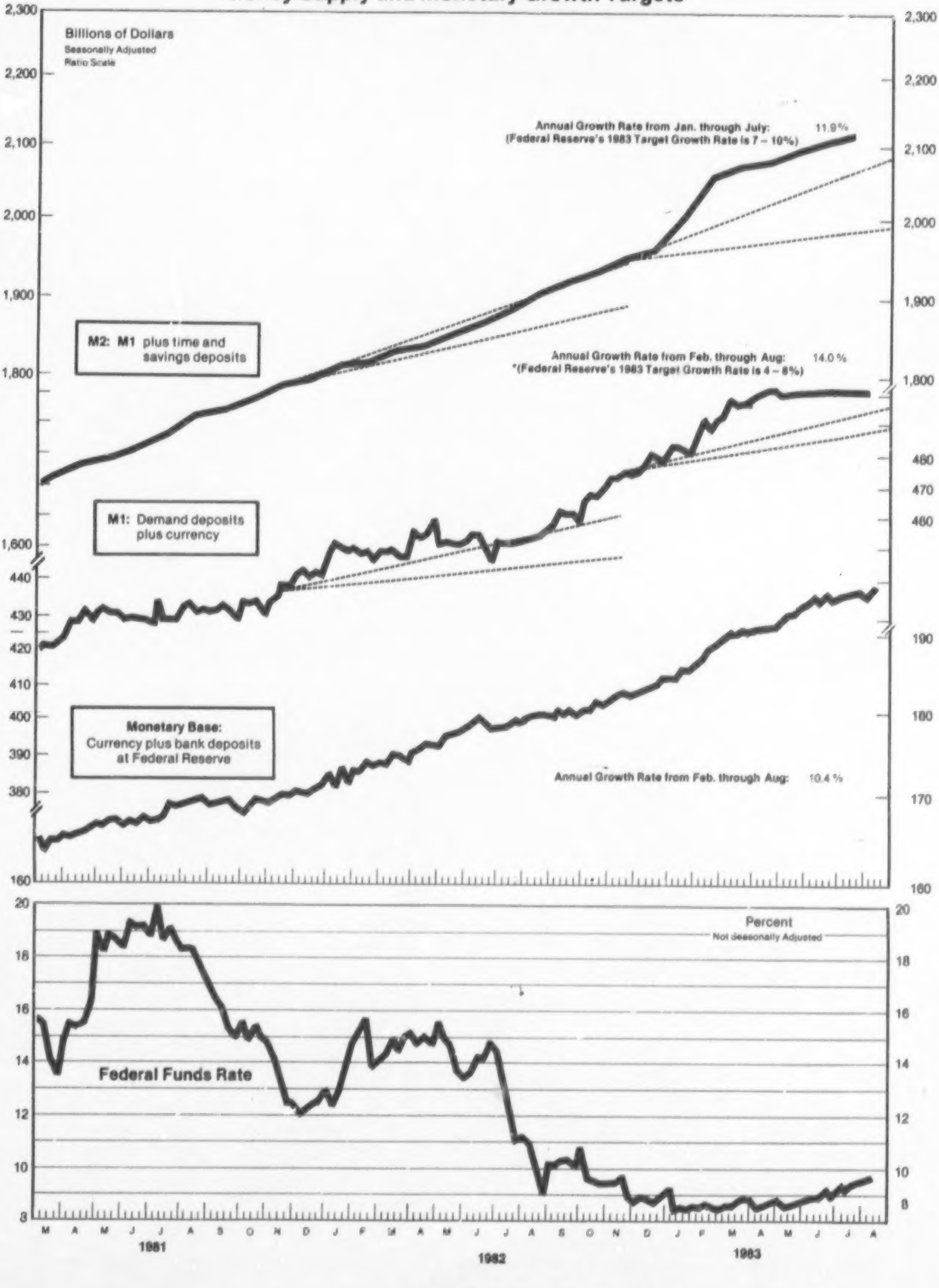
	Fiscal 1982	Fiscal 1983		Fiscal 1984		
	Actual (10/26/82)	President's Proposal (7/25/83)	Congressional Estimate (9/1/82)	Current Service (7/25/83)	President's Proposal (7/25/83)	Congressional Estimate (6/20/83)
Receipts	**$617.8**	**$599.9**	**633.0**	**665.6**	**668.4**	**679.6**
Outlays	**728.4**	**809.8**	**788.0**	**866.0**	**848.1**	**849.5**
Deficit	**−110.6**	**−209.8**	**−155.0**	**−200.4**	**−179.7**	**−169.9**
Receipts by source	**617.8**	**599.9**	**633.0**	**665.6**	**668.4**	**679.6**
Individual income taxes	298.1	288.5	298.0	294.6	296.0	
Corporate income taxes	49.2	35.2	47.0	64.1	64.1	
Social insurance	201.1	211.1	217.0	240.0	241.4	242.3
Other receipts	69.4	65.1	71.0	66.9	66.9	
Outlays by function	**728.4**	**809.8**	**788.0**	**866.0**	**848.1**	**849.5**
Income security	248.8	279.4	270.0	278.5	275.2	278.8
National defense	187.4	214.8	216.0	245.4	242.3	240.0
Health	74.0	82.3	79.0	92.4	90.5	92.6
Education and manpower	25.4	27.2	27.0	27.9	26.5	28.4
Transportation	20.6	21.1	20.0	26.0	25.9	26.0
Veterans' benefits	24.0	24.9	24.0	25.5	25.5	25.5
International affairs	10.0	11.0	13.2	13.1	13.5	13.0
Natural resources and environment	13.1	12.5	11.0	12.0	10.8	12.5
Agriculture	14.8	25.3	15.0	16.9	13.8	11.5
General science	7.1	7.6	8.0	8.2	8.3	8.3
Community development	7.4	7.4	8.0	7.9	7.8	8.1
Revenue sharing	6.2	6.4	6.0	6.8	6.8	7.2
General government	4.6	5.8	5.0	5.4	5.6	5.6
Justice	4.6	5.3	5.0	5.4	5.5	5.9
Energy	4.8	4.6	5.0	4.4	4.4	4.3
Commerce and housing credit	3.8	5.1	2.0	3.3	2.8	2.3
Interest	100.8	89.0	115.0	104.9	103.5	97.1
Allowances	—	—	−3.0	1.9	0.9	0.8
Undistributed offsetting receipts	−29.3	−19.9	−36.0	−20.0	−21.0	−18.1

Sources: Office of Management and Budget; Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York: 1980

Money Supply and Monetary Growth Targets



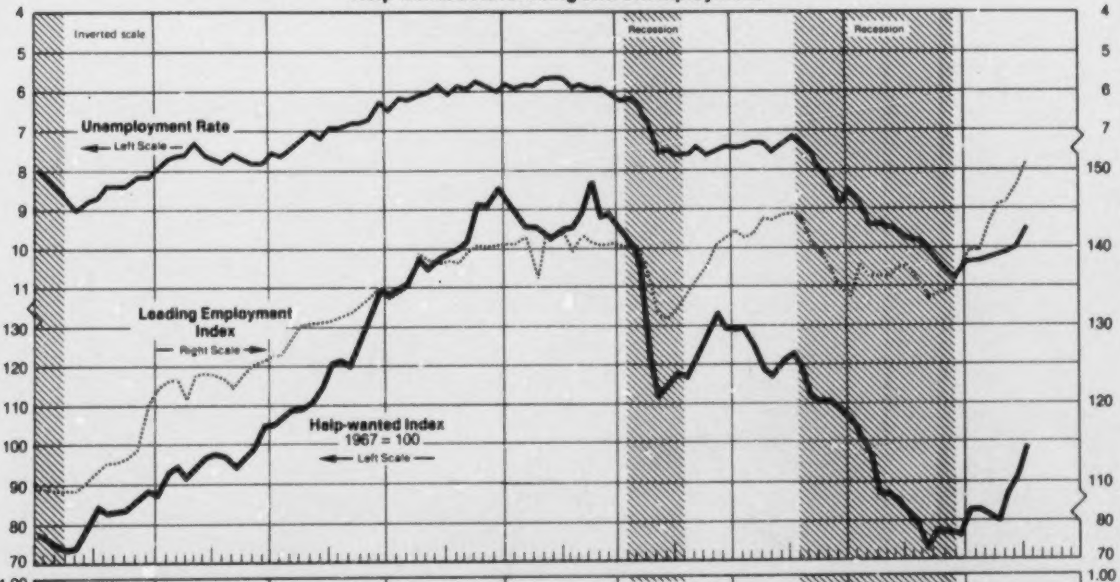
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1983			1982
	June	May	Apr.	June
Total Index				
51 papers	92	87r	81	85
New England	100	94	88	85
Boston	112	107	99	95
Hartford	89	92	90	83
Providence	67	53	49	52
Middle Atlantic	48	45	42	48
Albany	90	77	71	78
Allentown	113	87	110	89
New York	44	43	39	44
Philadelphia	43	38	35	39
Pittsburgh	46	44r	41	47
Rochester	48	43	41	53
Syracuse	69	58	54	87
East North Central	48	46	42	46
Chicago	47	44	39	45
Cincinnati	71	66	64	60
Cleveland	40	36	34	43
Columbus	74	69	66	67
Dayton	49	46	43	45
Detroit	35	35	32	32
Gary	85	86	78	108
Indianapolis	48	56	52	41
Milwaukee	33	32	30	33
Toledo	64	62	62	65
West North Central	60	50	45	47
Kansas City	89	69	61	66
Minneapolis	44	38	32	39r
Omaha	86	85	78	76
St. Louis	53	42	39	37
South Atlantic	110	105r	96	87
Atlanta	185	168	156	134
Baltimore	71	79	67	67
Charlotte	89	86	80	76
Jacksonville	155	157	141	117
Miami	71	65r	66	60
Richmond	68	66	59	55
Washington, D.C.	114	103	95	88
East South Central	94	84	86	88
Birmingham	104	97	87	99
Knoxville	139	130	132	155
Louisville	54	45	42	47
Memphis	83	80	71	78
Nashville	116	95	128	99
West South Central	208	192	184	227
Dallas	275	242	224	229
Houston	258	242	239	332
New Orleans	117	112	108	132
Oklahoma City	126	124	122	170
San Antonio	147	154	137	144
Tulsa	132	108	102	141
Mountain	184	192	151	160
Denver	142	122	117	120
Phoenix	240	290	204	185
Salt Lake City	187	191	143	203
Pacific	133	133	123	121
Los Angeles	104	101	92	96
Sacramento	215	213	198	203
San Bernardino	105	101	112	89
San Diego	251	239	249	211
San Francisco	138	150	126	132
Seattle	153	158	150	125
Percentage of papers with rising volume	78%	86%	24%	29%
Unemployment rate	10.0%	10.1%	10.2%	9.5%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1981	70.0	63.5	71.8	75.0	79.9	79.6	78.6	78.6	70.4	67.4	61.6	59.4
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.2p					

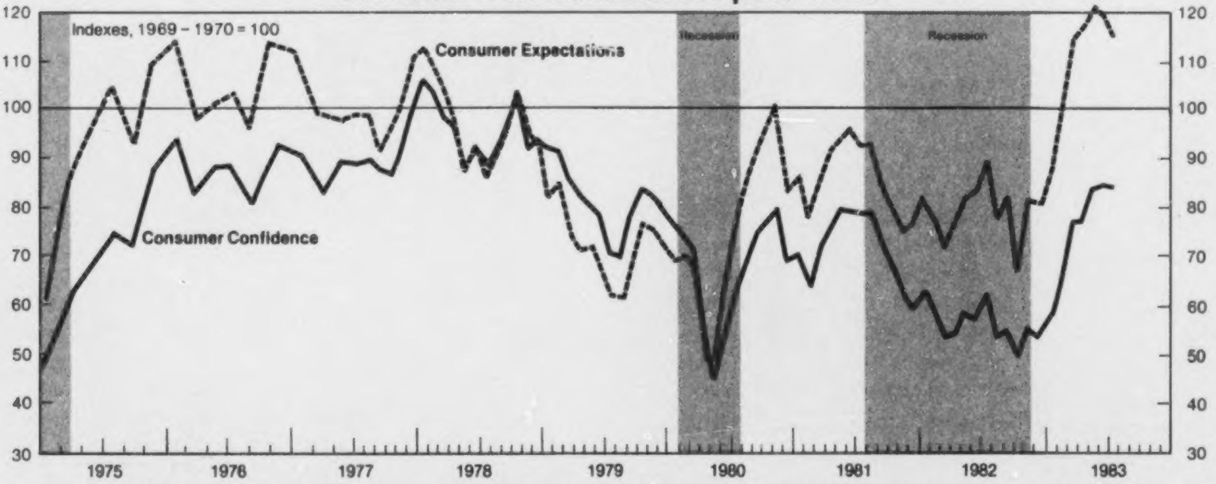
Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1981	87.5	90.5	98.0	85.9	84.8	89.5	78.7	96.7	90.3	86.2	89.8	99.2
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	97.3p					

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



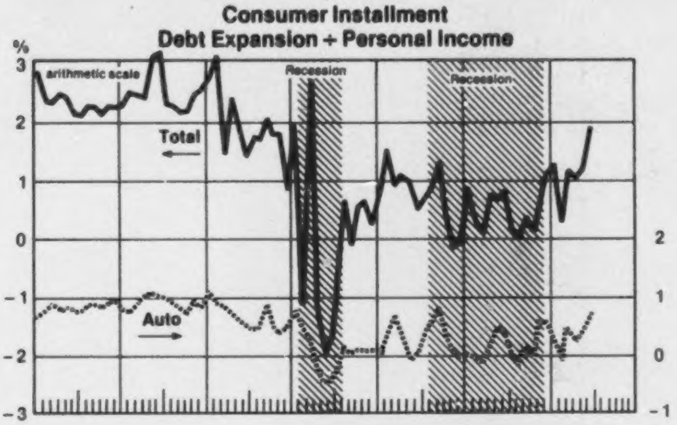
CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

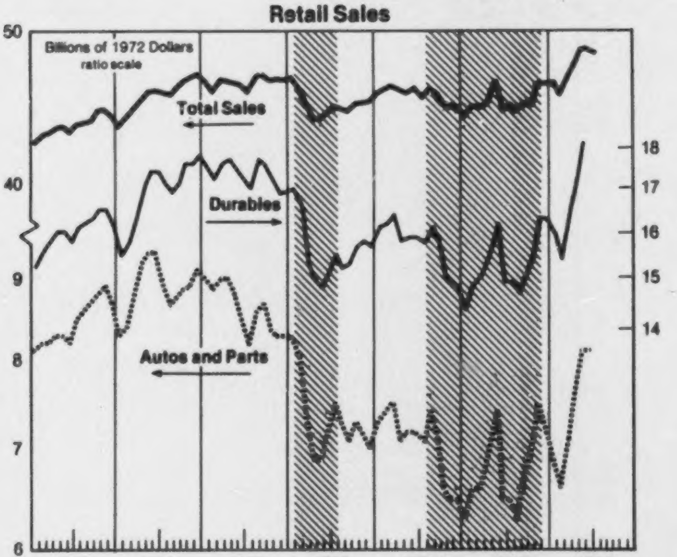
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin.*

P—Preliminary R—Revised


Consumer Installment Debt Expansion ÷ Personal Income

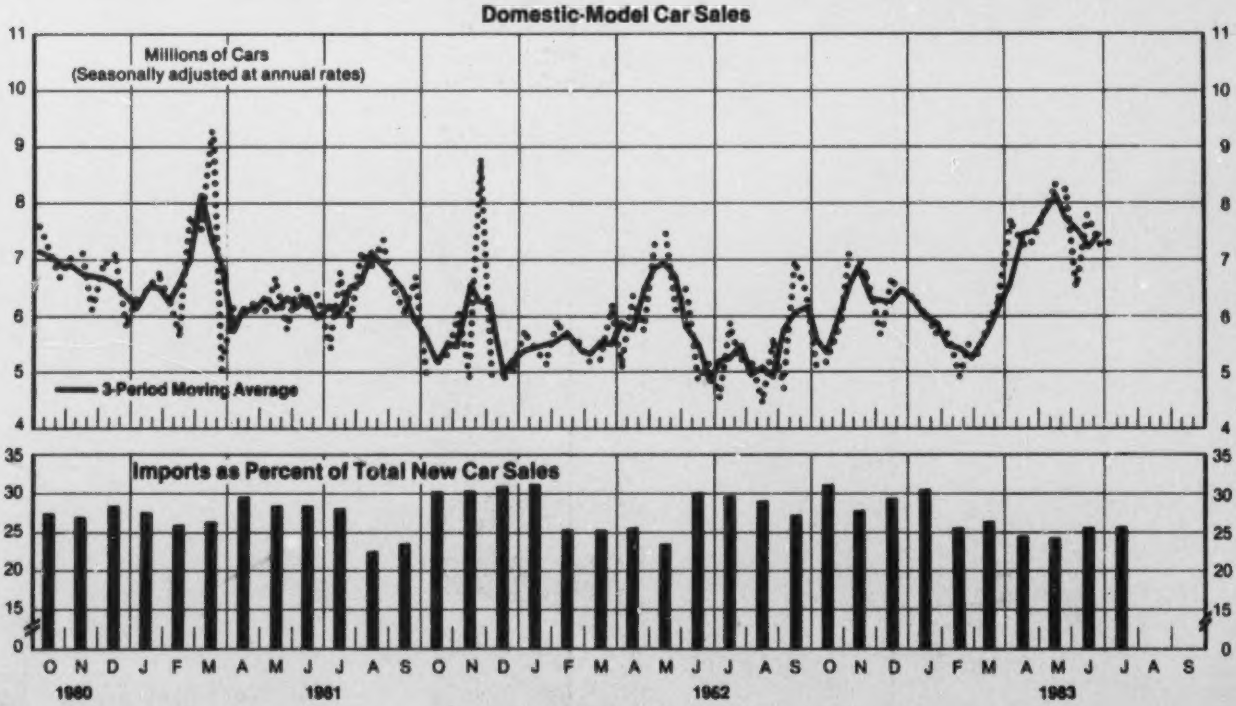

Retail Sales

CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1980	1981	1982	1983
January:	1-10	7.87	6.27	5.68	6.34
	11-20	7.08	6.44	5.43	6.06
	21-31	9.17	6.74	5.17	5.69
February:	1-10	6.88	6.30	5.88	5.68
	11-20	8.28	5.65	5.61	4.93
	21-28(29)	6.36	7.70	5.54	5.55
March:	1-10	6.98	7.55	5.18	5.32
	11-20	7.18	9.29	5.24	5.62
	21-31	6.12	5.02	6.16	6.22
April:	1-10	7.02	6.18	5.11	6.76
	11-20	5.94	6.01	6.38	6.77
	21-30	5.90	6.22	5.77	6.52
May:	1-10	5.78	6.09	7.26	7.68
	11-20	6.10	6.64	7.47	7.25
	21-31	5.17	5.76	6.06	7.32
June:	1-10	5.95	6.50	6.51	7.83
	11-20	6.78	6.18	4.83	8.37
	21-30	6.74	6.35	5.17	8.25
July:	1-10	6.60	5.45	4.54	6.56
	11-20	6.41	6.78	5.88	7.78
	21-31	6.59	5.60	5.22	7.26
August:	1-10	5.44	7.08	5.18	7.27
	11-20	5.81	6.91	4.48	
	21-31	6.00	7.38	5.58	
September:	1-10	6.05	6.57	4.70	
	11-20	5.56	6.09	6.95	
	21-30	6.74	6.67	6.49	
October:	1-10	7.60	4.98	5.09	
	11-20	7.09	5.18	5.16	
	21-31	6.49	5.32	5.68	
November:	1-10	7.03	6.05	7.10	
	11-20	7.10	4.93	6.94	
	21-30	6.11	8.75	6.49	
December:	1-10	6.88	4.98	5.64	
	11-20	7.06	4.88	6.62	
	21-31	5.81	5.03	6.46	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.


Domestic-Model Car Sales

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ACQUISITIONS
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BETHESDA, MD. 20814

STATISTICAL BULLETIN

Volume 16, No. 9, September, 1983

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The Conference Board

COMMENT

Recent reports indicate that the recovery was developing at a very rapid pace in the second and third quarters of this year, mainly on the strength of consumer market activity. However, the *Economic Forecasts* have been suggesting that some downshifting in the pace of recovery was bound to develop going into the final quarter of the year. There is some evidence now to suggest that this is precisely what is happening: Retail sales have flattened, home construction has declined a bit, industrial production and employment gains have slowed.

The domestic economy, then, looks as though it is entering a new phase. Initially, this new phase contains a rather strong inventory buildup, a somewhat dampened consumer demand and still weak business investment. The inventory buildup will gradually lose momentum, but consumer activity can be expected to catch a second breath and begin to quicken. Increased business investment remains a prospect for somewhere further down the road. Inflation, despite weather-related higher food prices, remains well in check. Recent slowing in money supply expansion has helped to slow down hikes in short-term interest rates. The dollar, however, continues to be very strong in international trading. And, as we begin a new fiscal year, Federal Government deficits remain very large. Since we are approaching an election year, proposals to raise taxes or cut spending in order to reduce deficits are likely to be captive of political considerations.

The data on the *Key Determinants of Profit Margins* chart shows that compensation per hour in the nonfinancial corporate sector rose at seasonally adjusted annual rates of 5.9% and 3.0% respectively in the first and second quarters of 1983. As the chart shows, these rates of increase are substantially below those experienced in the recent past. The slower gains in labor compensation have a powerful impact on prices, business profitability, and consumer demand. The chart further shows that output per hour rose by 3.5% and a whopping 5.5% in the two quarters. The combination of slower wage gains and sizable increases in productivity has greatly reduced the rate of increase in the unit labor cost of product—to a scant 2.6% in the first quarter and an outright decline of 2.6% in the second quarter. That has allowed business to reduce the pace and size of price increases while at the same time improving badly eroded profit margins. The four-year decline in profit margins ended in the fourth quarter of 1982.

The slower pace of hourly wage gains in recent quarters has held down increases in real consumer spending power. Total Personal Income, adjusted for inflation, was only 1.7% higher in June than last February; and it increased by less than 1% in the succeeding two months.

Real retail sales, adjusted for inflation, were 7½% higher in June than last February, but then declined by about 2% in the succeeding two months. Because the spurt in consumer market activity was much stronger than gains in real spending power, the personal saving rate fell sharply in the second quarter and consumer borrowing rose very rapidly. The ratio of *Consumer Installment Debt Expansion to Personal Income* rose from a scant 0.2% in October to almost 2% in June. In other words, consumers—laden with substantial pent-up demand for furniture, appliances and cars—went on a mini-spending spree using their modest added spending power, draining their savings and resorting to heavy use of credit.

The spending spree came to a sudden halt in July. Although the data indicate continued expansion of consumer credit in July, the likelihood is that the saving rate rose almost as much in the third quarter as it fell in the second. And, as mentioned earlier, gains in real spending power were no more than modest in July and August. Total real retail sales, then, fell a little in those two months. A good portion of the decline was attributable to weakness in car buying. New domestic *Automobile Sales* had risen from a seasonally adjusted 5.4 million annual rate in February to 8.2 million in June but then fell back to 6.2 million in August. The foreign share of the market has remained unchanged over the last three months. That suggests that automobile buying has suffered from a slump in demand rather than any shift in preference away from domestic models.

Consumer attitudes remain very positive, although some of the earlier unbridled enthusiasm seems to have dissipated. The Conference Board's *Consumer Confidence Index* stood at 84.2 (1969-1970 = 100) in August, not much different from the 84.0 reading of last May. Within that aggregate stability, there has been some improvement in the appraisal of current conditions while the appraisal of conditions six months hence appears to have weakened a little. However, that may simply reflect a sense that some of the expected improvement in the economy has already occurred.

Ken Goldstein, Editor
Prepared in The Business Conditions Analysis Department—Lora S. Collins, Director

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25 McArthur Road
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845 Third Avenue
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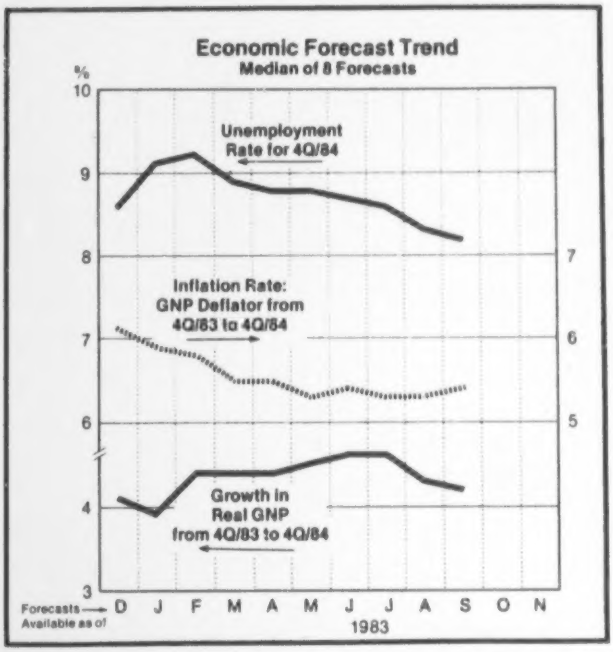
The Conference Board, Inc.
Avenue Louise, 207 Bte 5
B-1050 Brussels, Belgium



The Conference Board's *Capital Appropriations and Expenditures* survey showed that business investment was still declining in the second quarter of 1983. Appropriations were up 3.9% in the second quarter while capital expenditures were down 0.8 percent. Those numbers were depressed by substantial cutbacks in the giant petroleum industry. For nonpetroleum companies, appropriations were up 14.7% and spending increased by 0.2 percent. The nonpetroleum companies expect their appropriations to rise by 8% in 1983. A gain of this size would support at least a modest rise in investment spending in 1984.

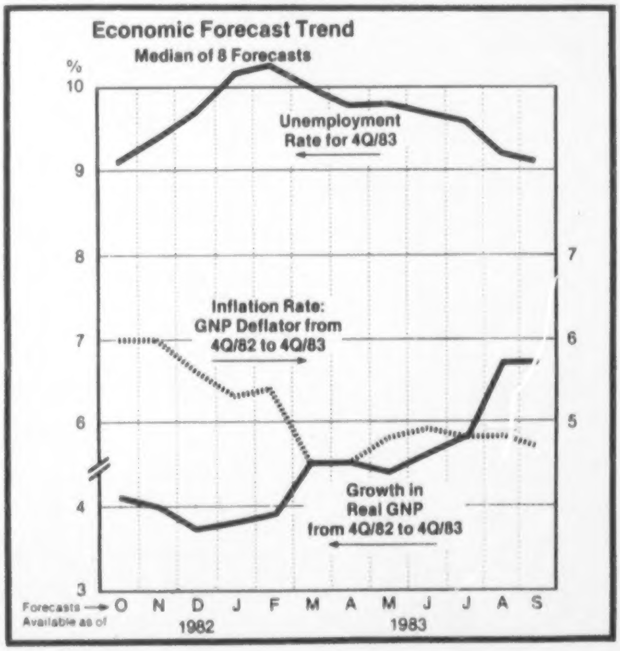
The composite index of *Leading Economic Indicators* rose only 0.3% in July—the smallest rise since last August. This may be an indication that the expansion of industrial production is about to slow down. Indeed, industrial production rose by just under 1% in August, after five consecutive monthly increases of over 1 percent. The recovery has been much quicker than generally expected, and few economy watchers anticipate that it will be able to maintain such a rapid pace beyond the third quarter. The median of the *Economic Forecasts* is that real output grew by a very brisk seasonally adjusted 7.2% annual rate in the third quarter. The median expected growth rate slows to a still quite robust 4.2% in the fourth quarter of 1983 and maintains that pace in the first half of 1984. The expectation is that the pace will quicken a little to 4.8% in the second half of next year, then drop back to about 3½% in the first half of 1985 and to 3.1% in the third quarter of 1985 (last quarter in the forecast horizon).

The *Money Supply and Monetary Targets* chart shows that the aggregates were allowed to expand very rapidly from last October through May. Monetary expansion of that magnitude over such a long time frame raised some concern that inflation would speed up further along in this recovery. In fact, some of the rise in short-term interest rates this Summer is partly attributable to heightened inflation expectations. In July, the Federal Reserve announced a new course for money supply—that M1 (demand deposits plus currency) would be allowed to expand by between 5% and 9% for the second half of this year. The announcement indicated that the rapid growth would be reduced but that no attempt would be made to force the money supply back down into the original target range set for this year. The chart shows that money expansion through August was holding close the lower limit of the new target range.

The median of the *Economic Forecasts* for the GNP deflator shows that inflation was only 4½% in the third quarter of 1983 but will probably move up to 5% in the fourth quarter of this year and then remain in a range of about 5% to 5½% through the forecast horizon.

Labor market activity also is moderating. Employment rose by about 340,000 in July and August together, but there are indications that gains will be a little smaller in the coming months. The Conference Board's *Help-wanted Index* rose sharply from 81 (1967 = 100) in April to 100 in July. Early indications, however, are that this measure of demand for labor probably fell by two or three points in August.

Ken Goldstein
Sept. 14, 1983

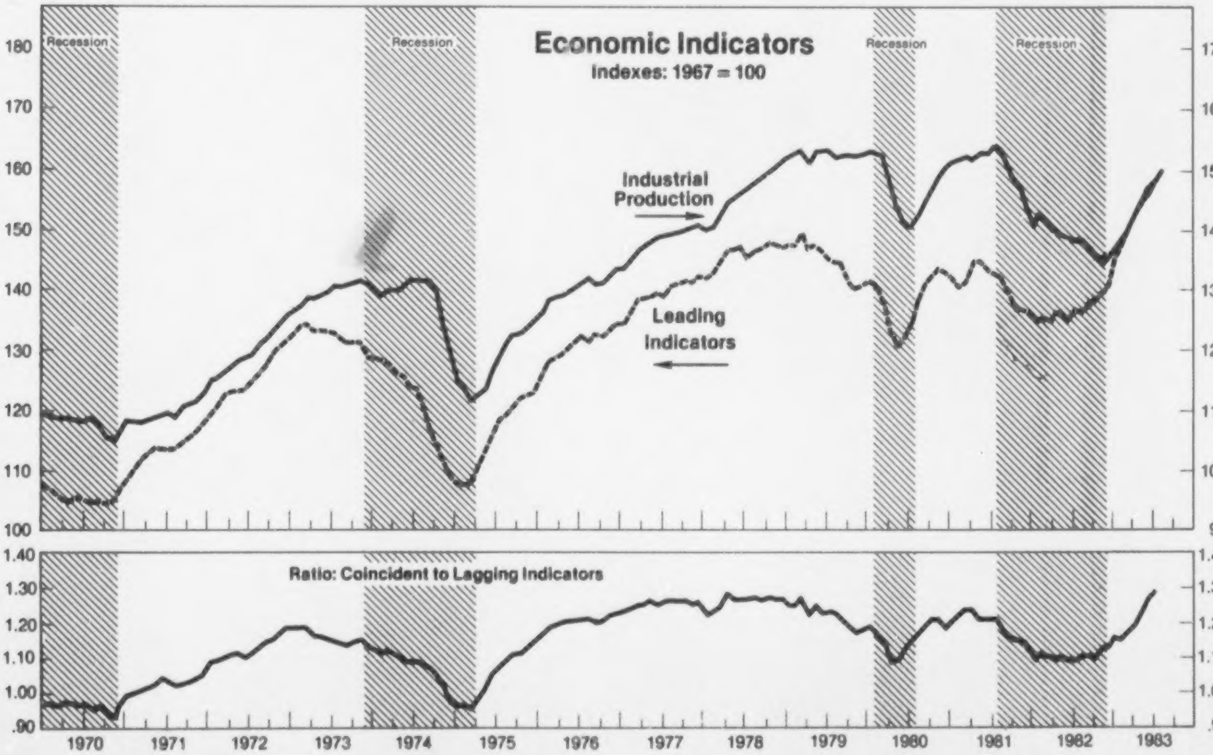


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	July	X			+ 3.5%	+ 15.8%
Capital Investment Commitments						
*Contracts & orders, plant & equipment (deflated)	July			X	—10.0%	+ 12.2%
New orders, nondefense capital goods (deflated)	July			X	— 9.9%	+ 11.7%
*Net business formation	July	X			+ 3.2%	+ 2.8%
*Housing permits	July	X			+ 16.0%	+ 67.3%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	July	X			+ 7.7%	+ 14.0%
*Change in inventory, on hand & order (deflated)	June	X			+ 6.6%	+ 11.8%
Purchasing agents' buying policy	Aug.	X			+ 5 %	+ 9 %
*Vendor performance, reported slower deliveries	July		X		+ 0 %	+ 15 %
Industrial raw materials prices	Aug.	X			+ 4.7%	+ 11.4%
*Change in sensitive prices	July			X	— 1.1%	+ 1.6%
Sensitive Financial Flows						
*Money balance (M2 deflated)	July		X		+ 1.3%	+ 10.4%
Change in business loans	July	X			+ 37.6%	— 3.0%
*Change in credit outstanding	July	X			+ 9.9%	+ 11.2%
Change in consumer installment debt	June	X			+ 21.9%	+ 32.0%
Profitability						
Total corporate profits, after tax (deflated)	2nd Q	X			+ 14.1%	+ 3.9%
*Common stock prices	Aug.		X		— 1.0%	+ 48.1%
Marginal Employment Adjustments						
*Average workweek, mfg.	Aug.	X			+ 0.3hr.	+ 1.3hr.
*Initial unemployment claims (inverted)	Aug.	X			+ 18.3%	+ 38.8%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) 1977, p. 15.

*These twelve series make up the Composite Leading Index charted below.



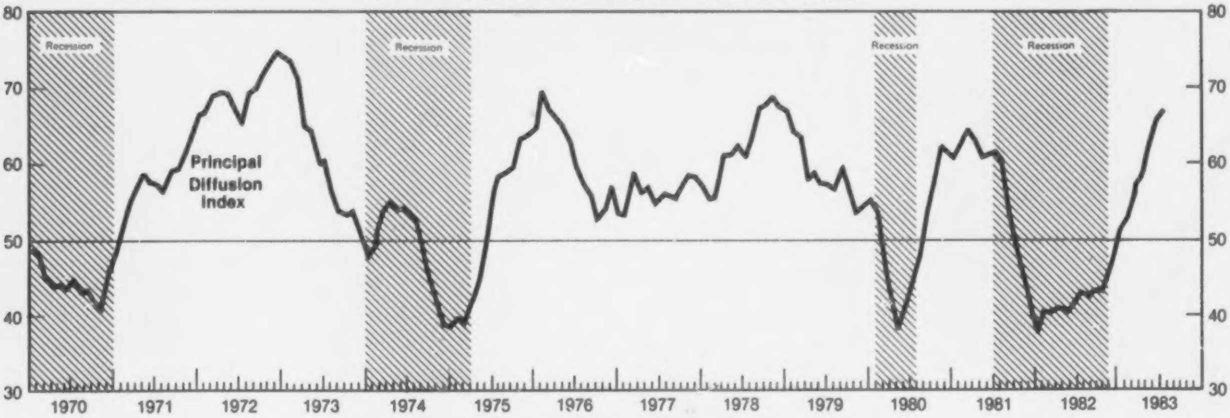
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1982 July	1983 Apr.	 May	 June	 July(e)
Principal Diffusion Index	41.3r	57.9r	61.9r	65.8r	66.9
Auxiliary Diffusion Index	50.8r	61.8r	63.1r	62.6r	53.6
Industrial Group	32.5	57.5	61.7	67.4	72.6
Nonindustrial Group	50.1r	58.2r	62.1r	64.1r	61.2
Sense of Diffusion	0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	41.9	58.5	61.1	67.9	73.9
Labor	22.7	54.2	58.2	66.2	73.3
Miscellaneous	42.9	64.1	71.2	69.9	68.6
Nonindustrial Subgroups					
Prices	42.9	73.7	71.8	70.5	76.3
Consumer	60.3	66.7	72.2	77.4	71.8
Building	43.6	43.6	51.9	51.9	44.2
Miscellaneous	48.9r	49.1r	52.4r	54.7r	51.9

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would register 50. On the other hand, if all 20 series rose in each of the last six months after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

p—preliminary e—estimate r—revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1980 *Nov.*	*1981* *Feb.*	 *May*	 *Aug.*	 *Nov.*	*1982* *Feb.*	 *May*	 *Aug.*	 *Nov.*	*1983* *Feb.*	 *May*
						Score (scale 0-100)					
Measure of Business Confidence	63	58	61	57	43	47	52	55	60	70	76
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	59	50	57	48	26	23	30	38	44	65	76
2. Expectations for Economy, Six Months Ahead	67	63	64	63	51	59	64	65	70	76	78
3. Expectations for Own Industry, Six Months Ahead	63	61	61	60	52	58	61	61	65	70	72

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1981	1982				1983		Percent Change From Previous Year		
								1981	1982	1983
	IVr	Ir	IIr	IIIr	IVr	Ir	IIp	Actual	Actual	Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	23.035	25.176	20.025	18.439	21.488	20.176	20.955	2	−18	2
Capital expenditures	26.225	26.660	25.552	23.991	22.887	18.841	18.687	15	− 3	−12
Change in appropriations backlog*	−4.610	−2.259	−7.326	−8.726	−3.395	−0.716	1.319			
Durable Goods										
New appropriations	9.595	8.785	7.398	7.724	8.238	8.197	9.554	−5	−24	8
Capital expenditures	11.016	11.069	10.505	9.684	8.949	7.918	7.795	4	− 7	−16
Change in appropriations backlog*	−1.961	−2.723	−3.903	−4.556	−1.351	−0.606	1.422			
Nondurable Goods										
New appropriations	13.460	16.391	12.627	11.215	13.250	11.979	11.401	7	−14	−2
Capital expenditures	15.209	15.591	15.047	14.307	13.938	10.923	10.892	24	0	−10
Change in appropriations backlog*	−2.649	0.464	−3.423	−4.170	−2.044	−0.110	−0.103			
ELECTRIC & GAS UTILITIES										
New appropriations	8.916	8.939	8.303	10.490	10.778	6.944p				
Capital expenditures	8.424	8.919	8.804	8.925	9.353	8.977p				
Change in appropriations backlog*	−3.677	−8.995	−1.871	+0.713	−4.559	−5.618p				

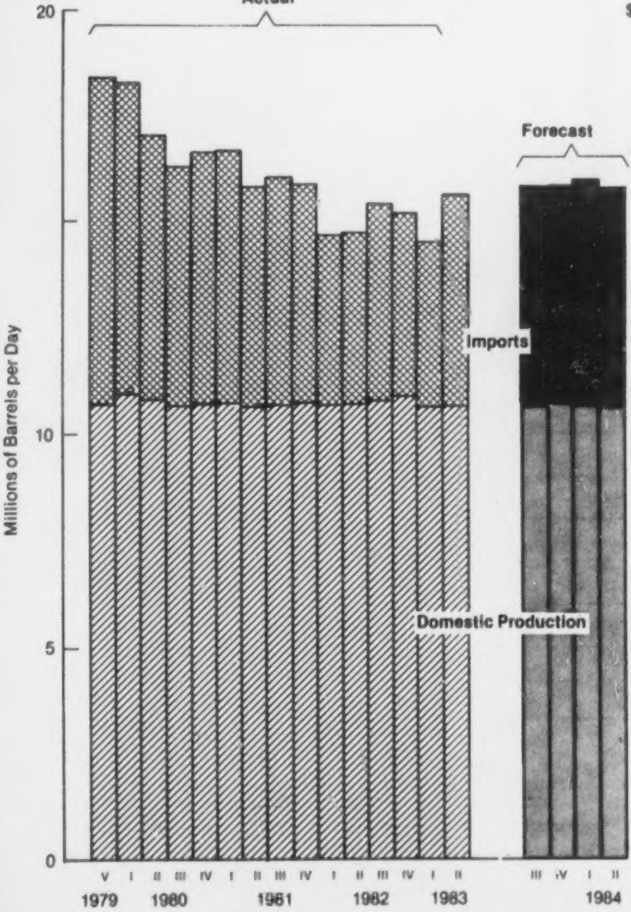
Note: Historical data from 1953 (manufacturing) and from 1958 (utilities) are available on request.

r—revised p—preliminary

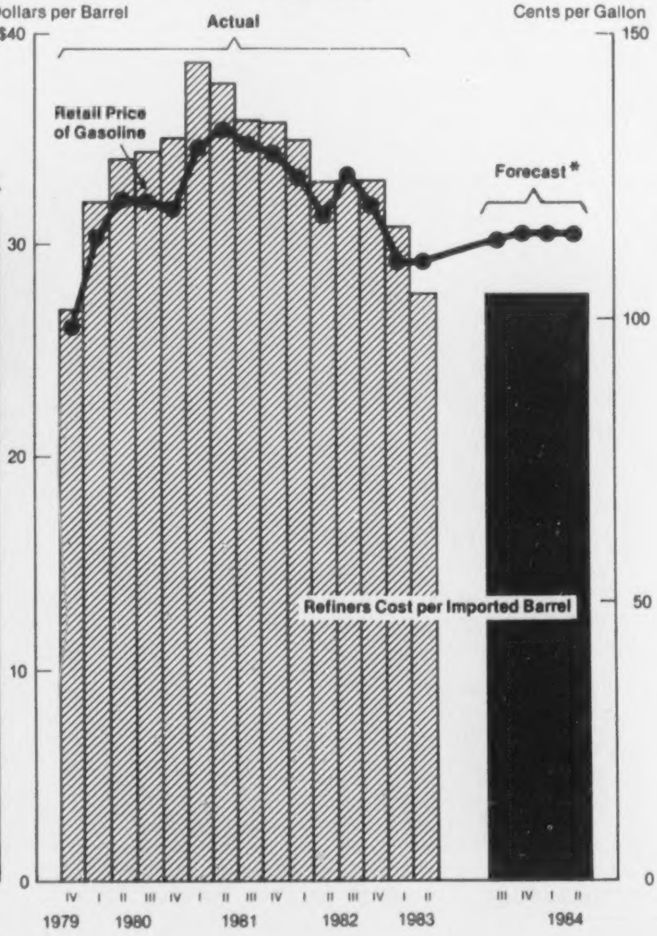
* Change in Backlog = New Appropriations — (Expenditures + Cancellations + Other Adjustments).

** Results based on survey respondents' expectations.

Oil Supply

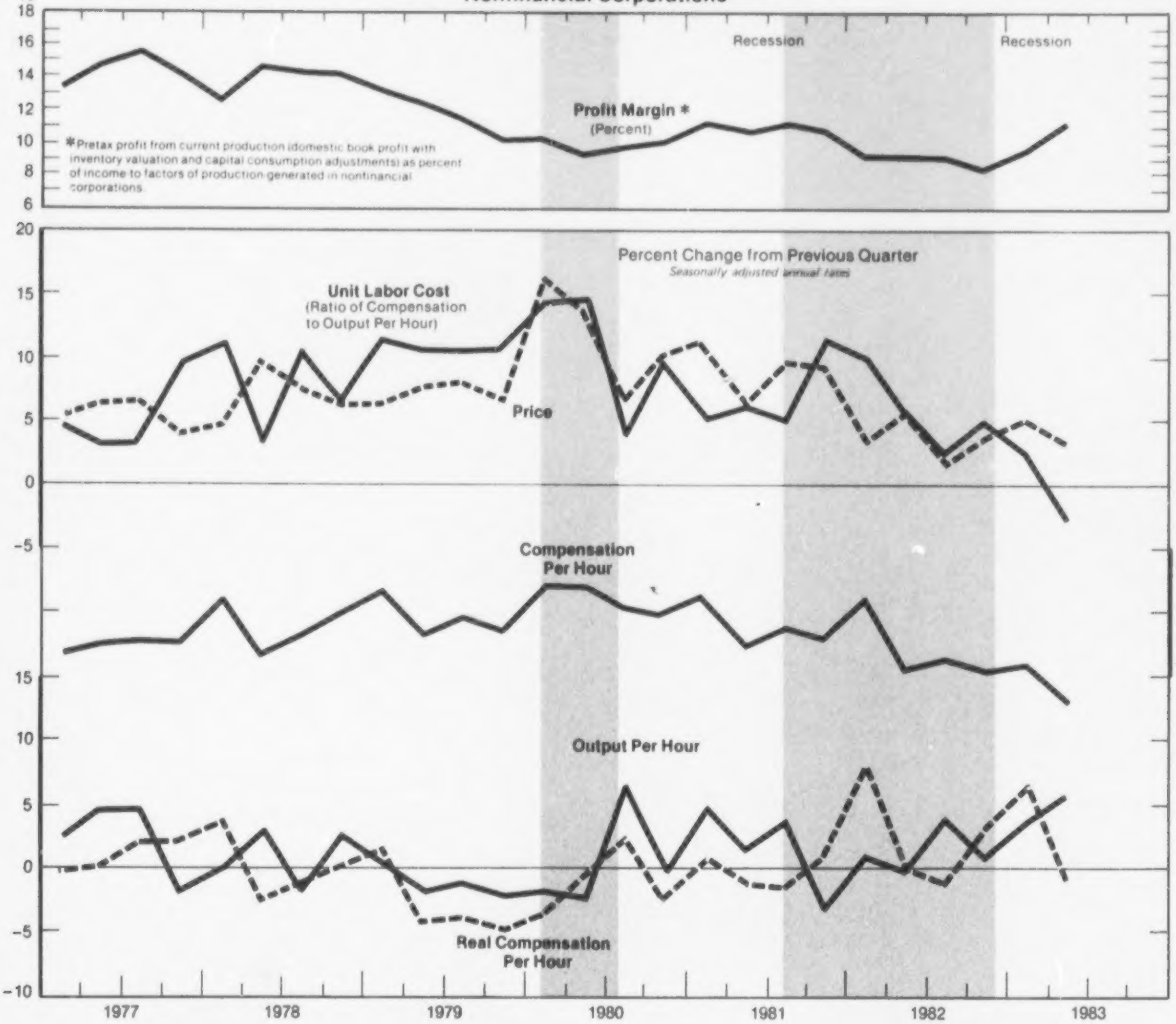


Oil Price



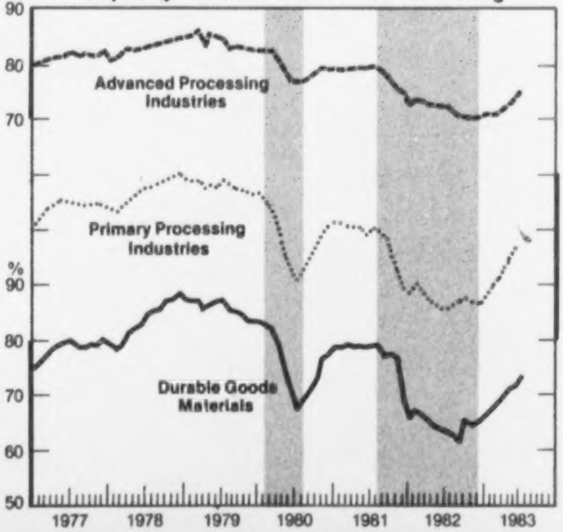
*Source: of Forecast is The Energy Information Administration; Department of Energy.

Key Determinants of Profit Margin,
Nonfinancial Corporations

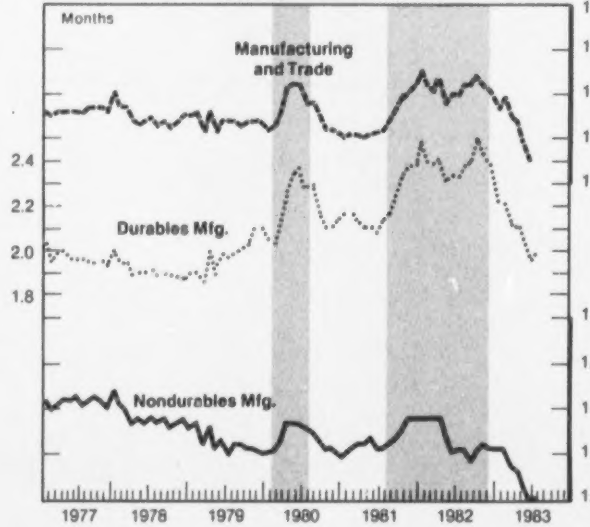


*Pretax profit from current production (domestic book profit with inventory valuation and capital consumption adjustments) as percent of income to factors of production generated in nonfinancial corporations.

Capacity Utilization Rates Manufacturing



Inventory-Sales Ratios



BEST AVAILABLE COPY

ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[1]		E.I. duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*Aug. 1983*		*July 1983*		*Aug. 1983*		*Aug. 1983*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1983**	**II**	**$3270.0**	**13.0%**			**$3270.0**	**13.0%**	**$3270.0**	**13.0%**
Forecast		III	3363.1	11.9	3367.5	12.0	3341.8	9.1	3360.7	11.6
		IV	3433.3	8.6	3445.0	9.5	3413.2	8.8	3435.0	9.1
	1984	I	3519.3	10.4	3523.2	9.4	3487.6	9.0	3497.3	7.5
		II	3607.8	10.4	3611.7	10.4	3571.8	10.0	3576.3	9.3
		III	3701.7	10.8	3709.6	11.3	3654.7	9.6	3671.7	11.1
		IV	3797.9	10.8	3815.0	11.9	3747.7	10.6	3773.9	11.6
	1985	I	3886.2	9.6			3825.7	8.6	3869.8	10.6
		II	3971.7	9.1			3915.1	9.7	3968.3	10.6
		III	4055.2	8.7			4003.2	9.3	4072.0	10.9
	1983	Annual	3309.5	7.7	3314.4	7.9	3299.1	7.4	3309.3	7.7
	1984	Annual	3656.7	10.5	3664.9	10.6	3615.5	9.6	3629.8	9.7
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1983**	**II**	**$1523.4**	**9.2%**			**$1523.4**	**9.2%**	**$1523.4**	**9.2%**
Forecast		III	1549.3	7.0	1548.6	7.3	1540.0	4.4	1548.4	6.7
		IV	1562.1	3.3	1565.5	4.4	1555.0	4.0	1563.1	3.9
	1984	I	1579.9	4.6	1579.8	3.7	1571.0	4.2	1571.3	2.1
		II	1598.8	4.9	1598.3	4.8	1591.0	5.2	1587.3	4.1
		III	1619.6	5.3	1619.6	5.4	1610.0	4.9	1606.0	4.8
		IV	1639.1	4.9	1642.7	5.8	1633.0	5.8	1626.9	5.3
	1985	I	1654.3	3.8			1649.0	4.0	1646.8	5.0
		II	1667.9	3.3			1666.0	4.2	1665.1	4.5
		III	1680.3	3.0			1682.0	3.9	1682.3	4.2
	1983	Annual	1531.2	3.1	1531.4	3.1	1527.1	2.8	1531.3	3.1
	1984	Annual	1609.4	5.1	1610.1	5.1	1601.3	4.9	1597.9	4.4
Gross National Product Deflator Index, 1972 = 100										
Actual	**1983**	**II**	**214.7**	**3.5%**			**214.7**	**3.5%**	**214.7**	**3.5%**
Forecast		III	217.1	4.6	217.5	4.3	217.0	4.4	217.0	4.5
		IV	219.8	5.1	220.1	4.9	219.5	4.7	219.8	5.1
	1984	I	222.8	5.5	223.0	5.5	222.0	4.6	222.6	5.2
		II	225.7	5.3	226.0	5.4	224.5	4.6	225.3	5.0
		III	228.6	5.2	229.0	5.6	227.0	4.5	228.6	6.0
		IV	231.7	5.6	232.2	5.7	229.5	4.5	232.0	6.0
	1985	I	234.9	5.7			232.0	4.4	235.0	5.3
		II	238.1	5.6			235.0	5.3	238.3	5.8
		III	241.3	5.5			238.0	5.2	242.0	6.4
	1983	Annual	216.1	4.4	216.4	4.6	216.0	4.4	216.1	4.4
	1984	Annual	227.2	5.1	227.6	5.2	225.7	4.5	227.1	5.1
Unemployment Rate										
Actual	**1983**	**II**	**10.1%**		**10.1%**		**10.1%**		**10.1%**	
Forecast		III	9.5		9.4		9.5		9.5	
		IV	9.2		9.1		9.3		9.3	
	1984	I	8.8		8.9		9.2		9.1	
		II	8.5		8.6		9.1		8.9	
		III	8.3		8.3		8.8		8.7	
		IV	8.0		8.1		8.5		8.5	
	1985	I	7.9				8.3		8.2	
		II	7.8				8.1		8.0	
		III	7.7				7.8		7.8	
	1983	Annual	9.8		9.8		9.8		9.8	
	1984	Annual	8.4		8.5		8.9		8.8	

Notes: Percentage change represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary second quarter data.

[2] Based on revised second quarter data.

ECONOMIC FORECASTS (continued)

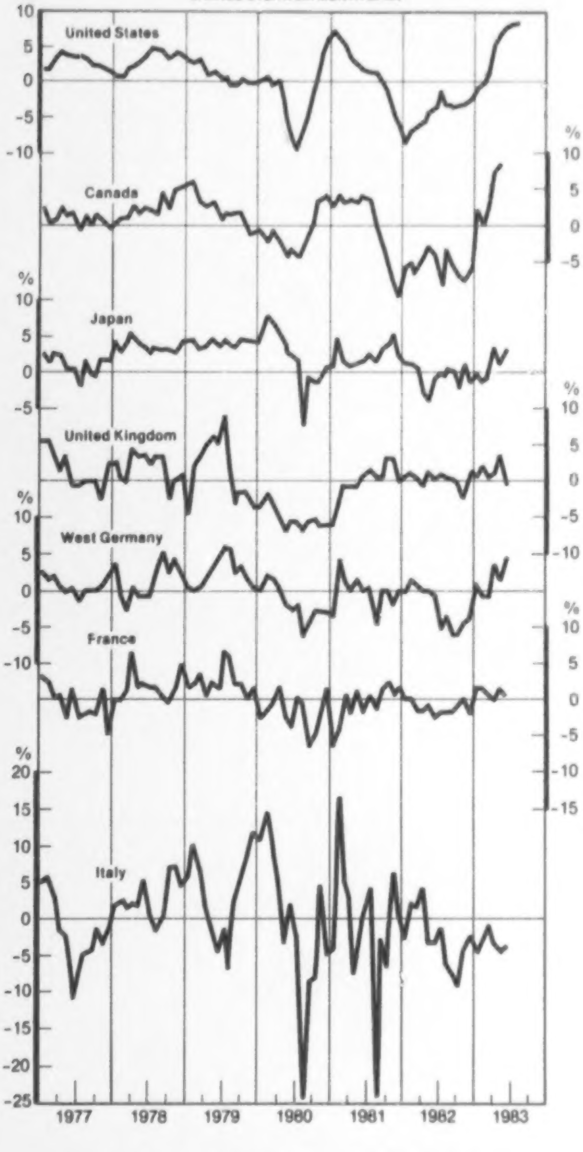
The Conference Board[2]		Chase Econometric Associates, Inc.[3]		Data Resources Inc.[3]		Wharton E.F.A. Inc.[3]				
Aug. 1983		*Aug. 1983*		*Aug. 1983*		*Aug. 1983*				
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$3270.0	13.0%	$3270.0	13.0%	$3270.0	13.0%	$3270.0	13.0%	II	1983	**Actual**
3368.0	12.5	3359.3	11.4	3366.8	12.4	3369.3	12.7	III		Forecast
3463.0	11.8	3427.5	8.4	3449.0	10.1	3464.1	11.7	IV		
3534.0	8.5	3503.5	9.2	3531.3	9.9	3555.0	10.9	I	1984	
3613.0	9.2	3586.3	9.8	3610.1	9.2	3639.1	9.8	II		
3710.0	11.2	3669.8	9.6	3688.3	9.0	3722.5	9.5	III		
3809.0	11.1	3758.3	10.0	3768.0	8.9	3814.7	10.3	IV		
		3843.9	9.4	3844.3	8.3	3897.6	9.0	I	1985	
		3933.6	9.7	3919.2	8.0	3984.6	9.2	II		
		4016.0	8.6	3994.0	7.9	4067.6	8.6	III		
3318.1	8.0	3307.1	7.6	3314.3	7.9	3318.7	8.0	Annual	1983	
3666.5	10.5	3629.5	9.7	3649.4	10.1	3682.8	11.0	Annual	1984	
								Gross National Product Billions of Constant (1972) Dollars		
$1523.4	9.2%	$1523.4	9.2%	$1523.4	9.2%	$1523.4	9.2%	II	1983	**Actual**
1550.6	7.3	1548.1	6.6	1551.0	7.4	1552.1	7.6	III		Forecast
1570.5	5.2	1561.5	3.5	1569.4	4.8	1576.1	6.3	IV		
1578.0	1.9	1578.0	4.3	1586.7	4.5	1596.5	5.3	I	1984	
1590.6	3.2	1594.2	4.2	1603.2	4.2	1611.9	3.9	II		
1610.5	5.1	1611.4	4.4	1619.2	4.1	1626.0	3.5	III		
1629.1	4.7	1627.9	4.2	1634.1	3.7	1639.8	3.4	IV		
		1641.5	3.4	1646.9	3.2	1651.9	3.0	I	1985	
		1655.7	3.5	1658.7	2.9	1664.6	3.1	II		
		1668.6	3.2	1670.5	2.9	1675.0	2.5	III		
1533.7	3.3	1530.8	3.1	1533.5	3.2	1535.4	3.4	Annual	1983	
1602.1	4.5	1602.9	4.7	1610.8	5.0	1618.6	5.4	Annual	1984	
								Gross National Product Deflator Index, 1972 = 100		
214.7	3.5%	214.7	3.5%	214.7	3.5%	214.7	3.5%	II	1983	**Actual**
217.2	4.8%	217.0	4.4	217.1	4.6	217.1	4.6	III		Forecast
220.5	6.2	219.5	4.7	219.8	5.1	219.8	5.1	IV		
224.0	6.4	222.0	4.7	222.6	5.2	222.7	5.3	I	1984	
227.1	5.6	225.0	5.4	225.2	4.8	225.8	5.7	II		
230.4	5.8	227.7	5.0	227.8	4.7	228.9	5.7	III		
233.8	6.1	230.9	5.6	230.6	5.0	232.6	6.6	IV		
		234.2	5.8	233.4	5.0	235.9	5.8	I	1985	
		237.6	6.0	236.3	5.0	239.4	5.9	II		
		240.7	5.3	239.1	4.8	242.8	5.9	III		
216.3	4.6	216.0	4.4	216.1	4.4	216.1	4.4	Annual	1983	
228.8	5.8	226.4	4.8	226.5	4.8	227.5	5.3	Annual	1984	
								Unemployment Rate		
10.1%		10.1%		10.1%		10.1%		II	1983	**Actual**
9.4		9.2		9.5		9.4		III		Forecast
9.1		9.0		9.0		9.1		IV		
9.1		8.7		8.6		9.0		I	1984	
9.0		8.5		8.4		8.8		II		
8.7		8.3		8.2		8.6		III		
8.5		8.1		8.1		8.4		IV		
		8.0		8.0		8.3		I	1985	
		7.9		8.0		8.1		II		
		7.8		7.9		7.9		III		
9.8		9.7		9.8		9.7		Annual	1983	
8.8		8.4		8.3		8.7		Annual	1984	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900

SELECTED INTERNATIONAL COMPARISONS

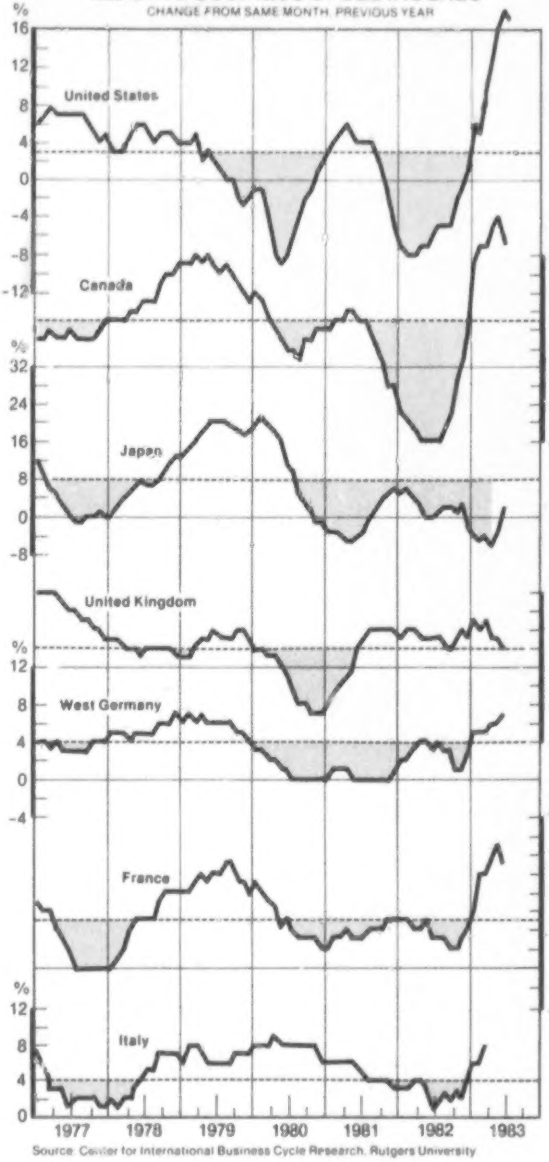
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



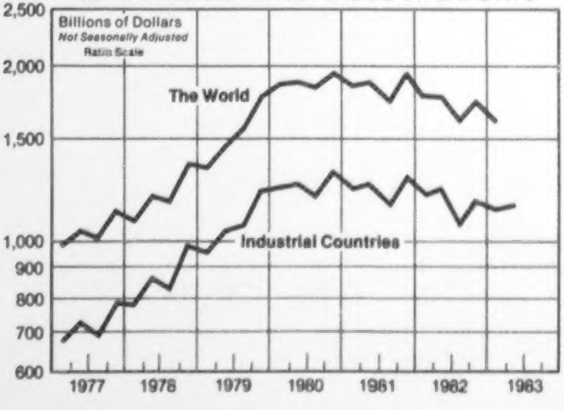
LEADING BUSINESS CYCLE INDEXES

CHANGE FROM SAME MONTH, PREVIOUS YEAR

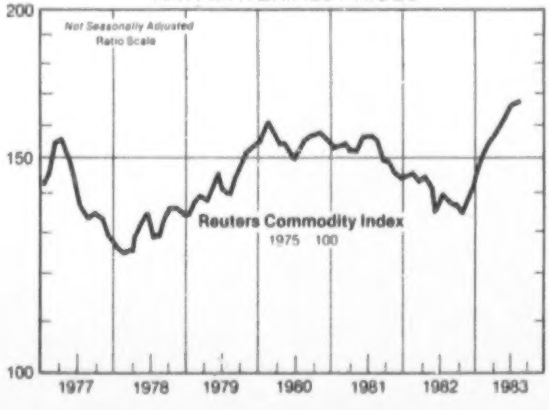


Source: Center for International Business Cycle Research, Rutgers University

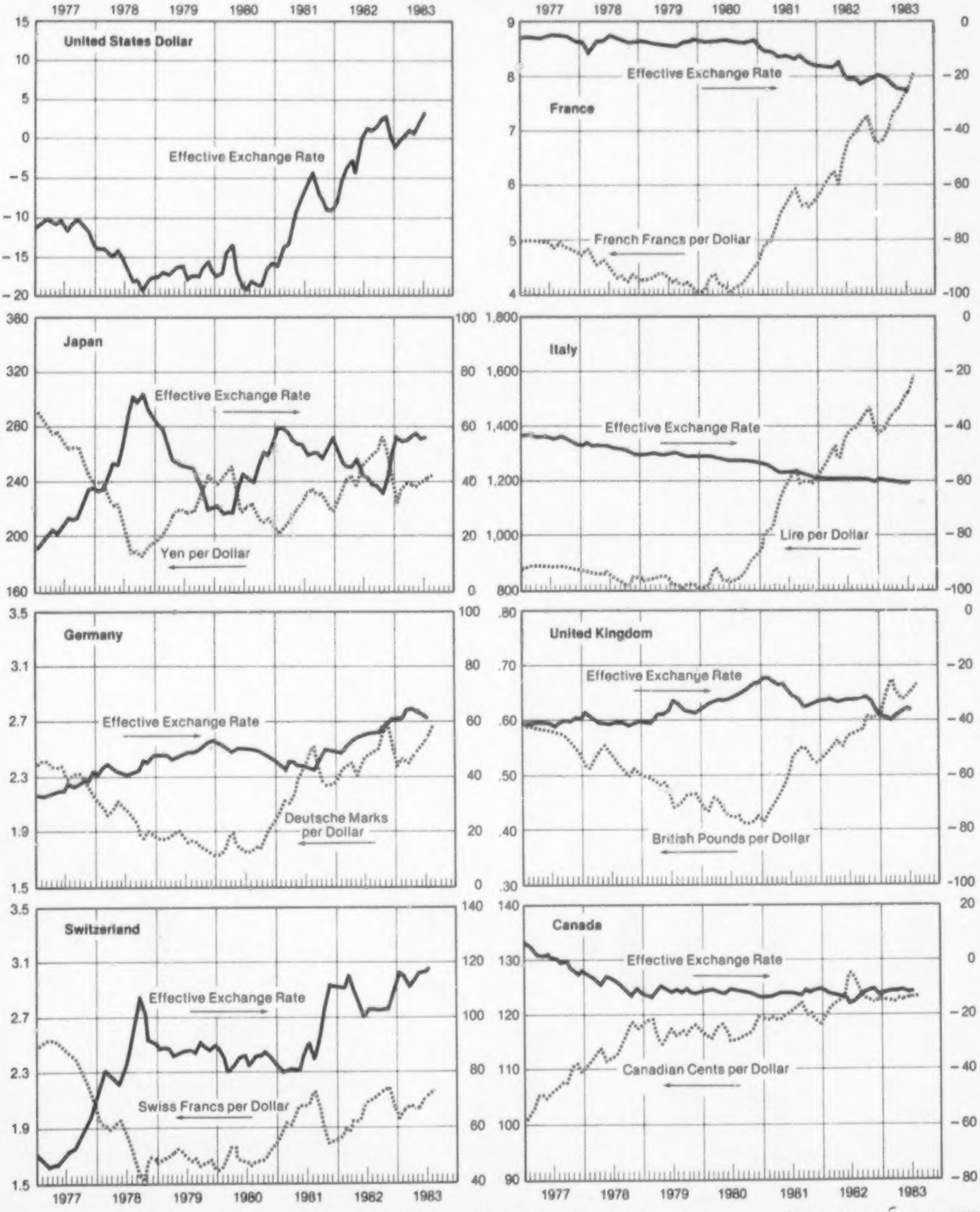
MERCHANDISE TRADE: VALUE OF EXPORTS



RAW MATERIALS PRICES



FOREIGN EXCHANGE RATES



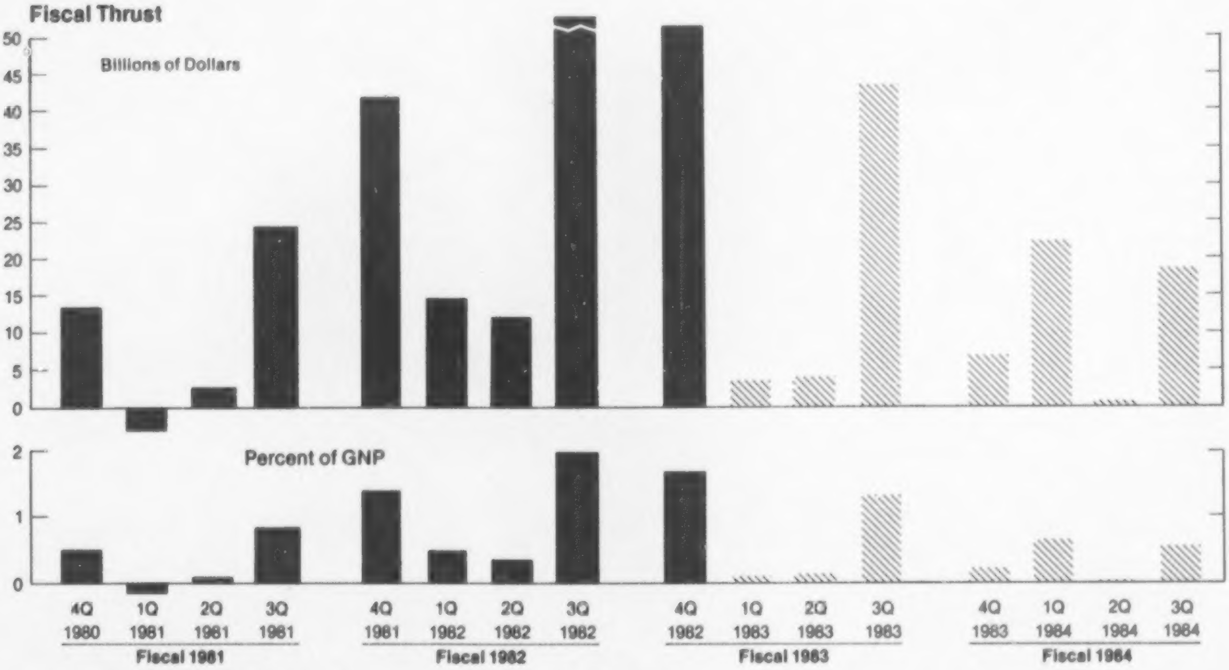
Effective Exchange Rate for each country indicates changes vis-a-vis a group of 15 major currencies, weighted according to the average bilateral manufactures trade of 1976. Changes are in percent from pre-June 1970 parities, based on monthly averages of daily rates.

Source: Morgan Guaranty Trust

PERSPECTIVE ON THE FEDERAL BUDGET
($ Billions)

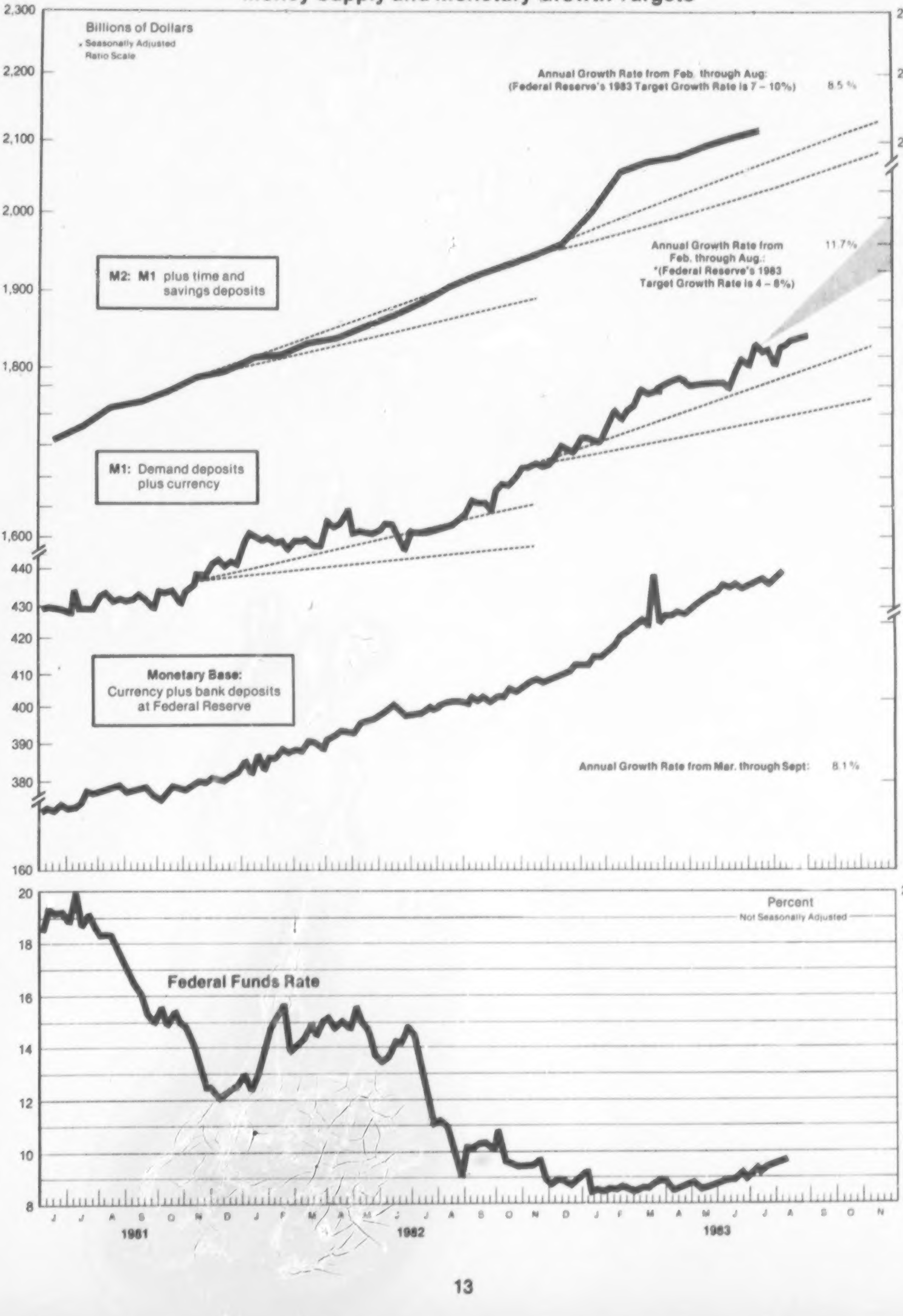
	Fiscal 1982	Fiscal 1983		Fiscal 1984		
	Actual	President's Proposal	Congressional Estimate	Current Service	President's Proposal	Congressional Estimate
	(10/26/82)	(7/25/83)	(9/1/82)	(7/25/83)	(7/25/83)	(6/20/83)
Receipts	**$617.8**	**$599.9**	**633.0**	**665.6**	**668.4**	**679.6**
Outlays	**728.4**	**809.8**	**788.0**	**866.0**	**848.1**	**849.5**
Deficit	**−110.6**	**−209.8**	**−155.0**	**−200.4**	**−179.7**	**−169.9**
Receipts by source	**617.8**	**599.9**	**633.0**	**665.6**	**668.4**	**679.6**
Individual income taxes	298.1	288.5	298.0	294.6	296.0	
Corporate income taxes	49.2	35.2	47.0	64.1	64.1	
Social insurance	201.1	211.1	217.0	240.0	241.4	242.3
Other receipts	69.4	65.1	71.0	66.9	66.9	
Outlays by function	**728.4**	**809.8**	**788.0**	**866.0**	**848.1**	**849.5**
Income security	248.8	279.4	270.0	278.5	275.2	278.8
National defense	187.4	214.8	216.0	245.4	242.3	240.0
Health	74.0	82.3	79.0	92.4	90.5	92.6
Education and manpower	25.4	27.2	27.0	27.9	26.5	28.4
Transportation	20.6	21.1	20.0	26.0	25.9	26.0
Veterans' benefits	24.0	24.9	24.0	25.5	25.5	25.5
International affairs	10.0	11.0	13.2	13.1	13.5	13.0
Natural resources and environment	13.1	12.5	11.0	12.0	10.8	12.5
Agriculture	14.8	25.3	15.0	16.9	13.8	11.5
General science	7.1	7.8	8.0	8.2	8.3	8.3
Community development	7.4	7.4	8.0	7.9	7.8	8.1
Revenue sharing	6.2	6.4	6.0	6.8	6.8	7.2
General government	4.6	5.8	5.0	5.4	5.6	5.6
Justice	4.6	5.3	5.0	5.4	5.5	5.9
Energy	4.8	4.6	5.0	4.4	4.4	4.3
Commerce and housing credit	3.8	5.1	2.0	3.3	2.8	2.3
Interest	100.8	89.0	115.0	104.9	103.5	97.1
Allowances	—	—	−3.0	1.9	0.9	0.8
Undistributed offsetting receipts	−29.3	−19.9	−36.0	−20.0	−21.0	−18.1

Sources: Office of Management and Budget; Congressional Budget Office.


Fiscal Thrust

Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3), The Conference Board, New York, 1980.

Money Supply and Monetary Growth Targets



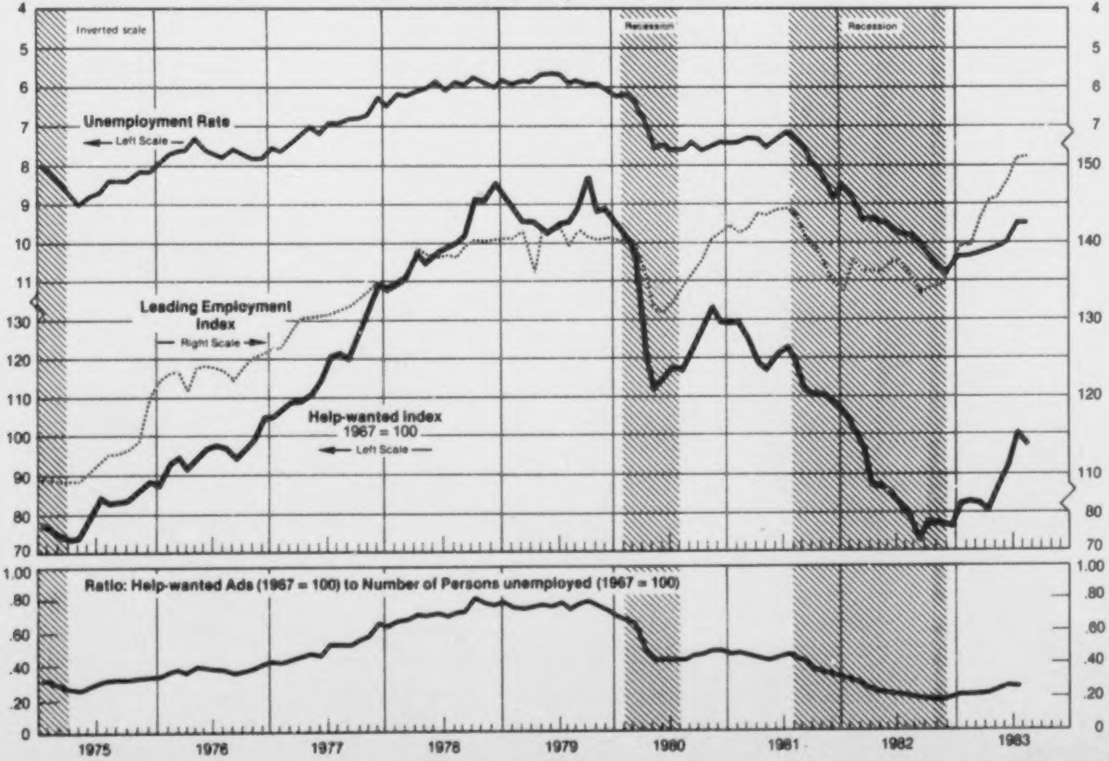
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1983			1982
	July	June	May	July
Total Index 51 papers	100	92r	87	83
New England	108	100	94	86
Boston	121	112	107	96
Hartford	105	89	92	85
Providence	67	67	53	54
Middle Atlantic	53	48	45	46
Albany	88	90	77	73
Allentown	138	113	87	113
New York	45	44	43	41
Philadelphia	50	43	38	42
Pittsburgh	52	46r	44	48
Rochester	63	48	43	55
Syracuse	78	69	58	70
East North Central	57	48	46	45
Chicago	54	47	44	44
Cincinnati	79	71	66	59
Cleveland	45	40	36	42
Columbus	83	74	69	70
Dayton	48	49	46	42
Detroit	52	35	35	32
Gary	96	85	86	98
Indianapolis	64	48	56	49
Milwaukee	41	35	32	37
Toledo	68	64	62	63
West North Central	62	60	50	46
Kansas City	85	89	69	65
Minneapolis	51	44	38	38r
Omaha	93	86	85	74
St. Louis	50	53	42	35
South Atlantic	123	110r	105	88
Atlanta	202	185	168	138
Baltimore	77	71	79	64
Charlotte	108	89	86	76
Jacksonville	163	155	157	118
Miami	78	71r	65	63
Richmond	79	68	66	54
Washington, D.C.	131	114	103	90
East South Central	104	94	84	85
Birmingham	111	104	97	90
Knoxville	144	139	130	143
Louisville	56	54	45	45
Memphis	89	83	80	70
Nashville	145	116	95	112
West South Central	222	208	192	214
Dallas	285	275	242	219
Houston	282	258	242	312
New Orleans	123	117	112	122
Oklahoma City	137	126	124	152
San Antonio	158	147	154	136
Tulsa	136	132	108	134
Mountain	201	184	192	153
Denver	160	142	122	118
Phoenix	261	240	290	182
Salt Lake City	198	187	191	180
Pacific	141	133	133	115
Los Angeles	109	104	101	91
Sacramento	224	215	213	197
San Bernardino	112	105	101	91
San Diego	273	251	239	221
San Francisco	147	138	150	118
Seattle	165	153	158	125
Percentage of papers with rising volume	90%	78%	86%	33%
Unemployment rate	9.5%	10.0%	10.1%	9.8%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1981	70.0	63.5	71.8	75.0	79.9	79.6	78.6	78.6	70.4	67.4	61.6	59.4
1982	62.1	58.1	53.3	54.0	58.3	57.1	61.6	53.7	54.4	49.7	54.8	53.5
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7r	84.2p				

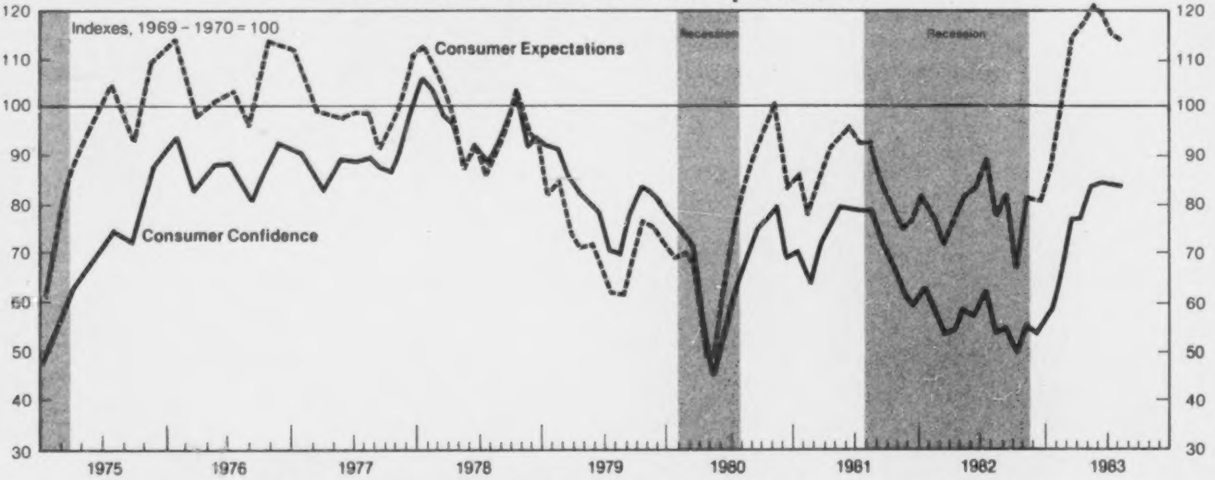
Buying Plans Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1981	87.5	90.5	98.0	85.9	84.8	89.5	78.7	96.7	90.3	86.2	89.8	99.2
1982	81.3	100.9	94.8	70.3	74.9	73.9	92.0	89.0	75.3	66.7	80.5	75.2
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5r	89.3p				

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc. p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

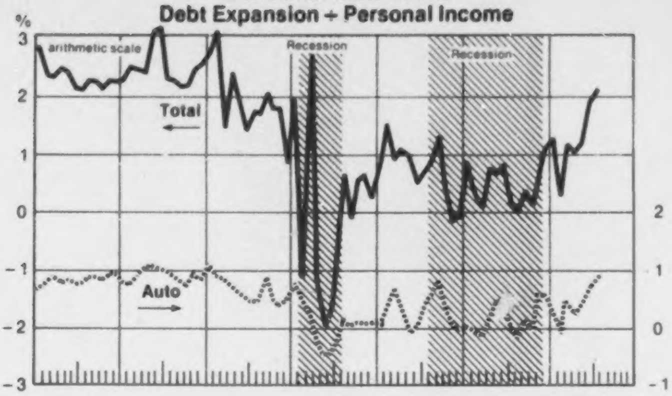
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

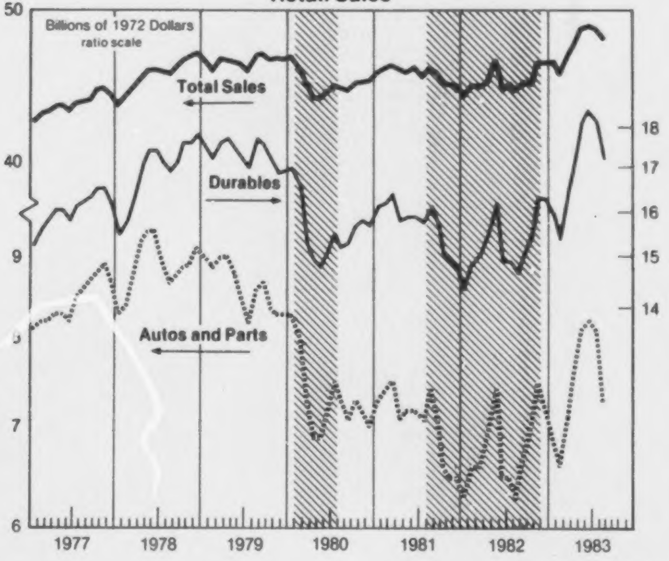
Note: For an explanation of discretionary purchasing power and spending, see tho Sept., 1981 issue of the *Statistical Bulletin.*

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



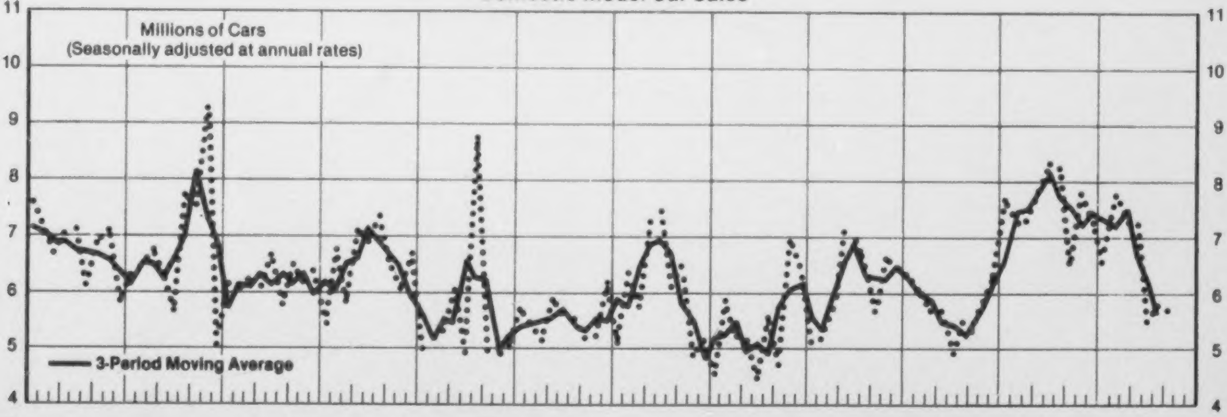
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

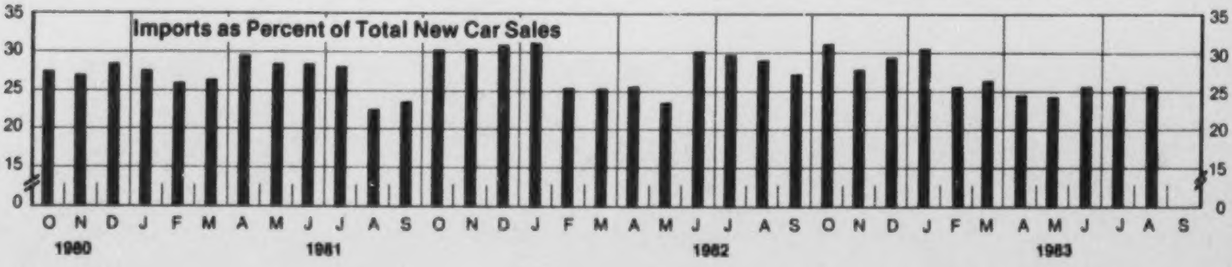
Millions, Seasonally Adjusted at Annual Rate

Periods		1980	1981	1982	1983
January:	1-10	7.87	6.27	5.68	6.34
	11-20	7.08	6.44	5.43	6.08
	21-31	9.17	6.74	5.17	5.69
February:	1-10	6.88	6.30	5.88	5.68
	11-20	8.28	5.65	5.61	4.93
	21-28(29)	6.36	7.70	5.54	5.55
March:	1-10	6.98	7.55	5.18	5.32
	11-20	7.18	9.29	5.24	5.62
	21-31	6.12	5.02	6.16	6.22
April:	1-10	7.02	6.18	5.11	6.76
	11-20	5.94	6.01	6.38	6.77
	21-30	5.90	6.22	5.77	6.52
May:	1-10	5.78	6.09	7.26	7.68
	11-20	6.10	6.64	7.47	7.25
	21-31	5.17	5.76	6.06	7.32
June:	1-10	5.95	6.50	6.51	7.83
	11-20	6.78	6.18	4.83	8.37
	21-30	6.74	6.35	5.17	8.25
July:	1-10	6.60	5.45	4.54	6.56
	11-20	6.41	6.78	5.88	7.78
	21-31	6.59	5.80	5.22	7.26
August:	1-10	5.44	7.08	5.18	7.27
	11-20	5.81	6.91	4.48	5.47
	21-31	6.00	7.38	5.58	5.79
September:	1-10	6.05	6.57	4.70	5.70
	11-20	5.58	6.09	6.95	
	21-30	6.74	6.67	6.49	
October:	1-10	7.60	4.98	5.09	
	11-20	7.09	5.18	5.16	
	21-31	6.49	5.32	5.68	
November:	1-10	7.03	6.05	7.10	
	11-20	7.10	4.93	6.94	
	21-30	6.11	8.75	6.49	
December:	1-10	6.88	4.98	5.64	
	11-20	7.08	4.88	6.62	
	21-31	5.81	5.03	6.46	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically). Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales




Imports as Percent of Total New Car Sales